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ROUNDUP OF U.S.-USSR MEDIUM-RANGE MISSILE TALKS

HK101531 Beijing JIEFANGJUN BAO in Chinese 3 Apr 87 p 4

["News Roundup" by Chen Xueyan (7115 1331 3601): "New Troubles Emerge in the U.S.-Soviet Talks on Medium-Range Missiles"]

[Text] The proposal put forward by Mikhail Gorbachev on 28 February which suggested that both the Soviet Union and the United States withdraw all their medium-range missiles from Europe once gave people a ray of hope. However, the recent disputes between the Soviet Union and the United States on this question have cast a shadow on this "hope."

Ten days after Gorbachev put his proposal forward, the U.S. representative to the Geneva disarmament talks put forward concrete proposals on supervising the withdrawal of the medium-range missiles from Europe. Both sides will supervise the withdrawal of the medium-range missiles by satellites, exchanging information and sending inspectors to examine the situation on each other's side. When the agreement goes into effect, both sides will send inspectors to inspect each other's installations, count the number of each other's medium-range missiles, and supervise the destruction and withdrawal of the medium-range missiles on each other's side. Although the Soviet Union agreed to the supervision of the withdrawal of medium-range missiles on the spot in principle, it insisted that "the U.S. arsenal that stores missiles and the U.S. enterprises that produce missiles should also be inspected."

As for the short-range missiles, at the U.S.-Soviet summit meeting held last October, the Soviet side once held that the agreement on medium-range missiles should also include some measures on limiting short-range missiles. Grasping this point, this year the United States proposed that the withdrawal of medium-range missiles and the issue of limiting short-range missiles should be discussed together. The United States also said that the standard of the U.S. short-range missiles deployed in Western Europe must be maintained at the same level as that of the Soviet short-range missiles stationed in Eastern Europe. However, the Soviet Union insisted that the United States and the Soviet Union should first reach an agreement on the withdrawal of medium-range missiles and then hold talks on the issue of short-range missiles. The United States was very dissatisfied with the position of the Soviet Union and accused the Soviet Union of "retreating from its position" on the question of prohibiting medium-range and short-range missiles deployed in Europe. The United States also said that if the Soviet Union does not agree to settle the issue of medium-range missiles and the issue of short-range missiles together, the United States will plan to refit its "Pershing II" medium-range missiles into the "Pershing-VI" short-range missiles. However, the Soviet Union did not want to give the impression of weakness. On 26 March, the chief of the Arms Limitation and Disarmament Bureau under the Ministry of Foreign Affairs of the Soviet Union said that if the United States refits its medium-range missiles into short-range missiles, the Soviet Union will refit its SS-20 medium-range missiles deployed in Europe into intercontinental missiles.

It seems that there will be heated disputes and bargains between the Soviet Union and the United States on the question of missile inspection, the question of short-range missiles, and other questions.

The above positions of the United States and the Soviet Union are based on their own strategic interests.

In the words of Henry Kissinger, what the United States is worried about is that the complete withdrawal of all U.S. medium-range missiles from Europe will "cause a political and psychological inequality because the possibility of a Soviet attack on Europe will not be greatly reduced, whereas the United States will lose its capability to launch a counterattack from Europe." U.S. public opinion holds that since the Soviet Union has deployed about 160 SS-12 "Scaleboard" short-range missiles and 240 SS-23 "Spider" short-range missiles in Europe while the United States has deployed only 50 old-style "Pershing VI" short-range missiles in that area, once it withdraws all its medium-range missiles from Europe, the United States will become incapable of action if Europe is attacked by nuclear weapons. This unbalanced situation has caused a lot of worries among Americans. World opinion believes that the Soviet Union's adherence to its present position on the question of short-range missiles might have two purposes: One is to use the short-range missiles as a "hidden restrictive factor" to bargain with the two nuclear powers, Britain and France; the other is to turn the talks on short-range missiles into a forum to discuss all short-range nuclear weapons, including those deployed in Eastern Europe and Western Europe, and use this forum to demand the establishment of a nuclear-free zone in central Europe.

The attitudes of the Western European countries also have a great impact on the signing of the agreement on the total withdrawal of the medium-range missiles from Europe between the United States and the Soviet Union. On the one hand, the Western European countries resolutely oppose turning Europe into a base for a possible nuclear war and therefore welcome the proposal put forward by the Soviet leader Mikhail Gorbachev. On the other hand, the Western European countries think that under the present circumstances, the regular forces and conventional weapons of the Soviet Union and the Warsaw Treaty Organization are superior to those of the United States and NATO -- "it is quite necessary to deploy certain nuclear weapons in Western Europe so as to secure the reliability of the nuclear deterrent of the West." Therefore, the signing of an agreement on the total withdrawal of medium-range missiles from Europe between the United States and the Soviet Union "will make the West European countries skeptical about the U.S. commitment to defending its West European allies and preventing the Soviet Union from attacking Western Europe."

FAO HEAD NOTES CHINA'S CULTURAL COOPERATION

OW101706 Beijing XINHUA in English 1622 GMT 10 Apr 87

[Text] Beijing, April 10 (XINHUA) -- Edouard Saouma, director-general of the Food and Agriculture Organization (FAO) of the United Nations, praised China's contribution to world agriculture through international cooperation.

At a news briefing today, Saouma said that China has provided both technical and personnel help for various countries in Asia, Africa and the Middle East.

China also has established friendly relations with over 90 countries and more than 5,000 people were involved in exchanges concerning some 100 programs in grain, animal husbandry and fisheries last year.

He added that China has rid itself of starvation and poverty though it has a quarter of the world's population and less than seven percent of its territory [is] arable land.

DIPLOMAT SCORES WASHINGTON POST'S XIZANG ARTICLE

OW101124 Beijing XINHUA in English 1111 GMT 10 Apr 87

["WASHINGTON POST Distorts Facts About Tibet, Says Chinese Diplomat" -- XINHUA headline]

[Text] Washington, April 9 (XINHUA) -- A Chinese diplomat here has called a March 29 signed article in THE WASHINGTON POST "a total distortion of the true facts about Tibet."

In an article sent to the newspaper, Press Counselor of the Chinese Embassy to the United States Zheng Wanzhen said the article is designed "to create misunderstanding, apprehension and confusion among the American public."

THE WASHINGTON POST article by John Avedon entitled "The Rape of Tibet" begins with allegations of "execution and imprisonment of Tibetan dissidents" and the "Sinocization" of Tibet. It also accuses Chinese society of "displacing Tibet's ancient culture" and actively destroying it."

It even alleges that "thousands of forced abortions and sterilizations of Tibetan women" take place each year.

The Chinese press counselor said in his article, which was carried in the "Opinion Column" of THE WASHINGTON POST on April 8, that he read Avedon's article "with deep regret and strong indignation."

He said Tibet has been an inalienable part of China for centuries. Prior to the peaceful liberation in 1951, the Tibetan people, most of whom lived as serfs or slaves, had no personal freedom and were subjected to cruel oppression and exploitation by their owners.

"Today, in addition to the freedom and rights vested in the country's Constitution, Tibetans also enjoy special freedoms for minority people, such as regional autonomy, the use of their own language, publication of their own newspapers and use of their own textbooks in schools, freedom of religious belief and maintaining or reforming their customs," said the counselor.

He said the Chinese Government has spent millions of yuan (the currency unit in China) in the restoration of Buddhist temples and lamaseries, and the former residence of the Dalai Lama has been rebuilt.

Since 1979, the Chinese press counselor continued in his article, the Central People's Government has worked out special, flexible policies to put an end to the underdevelopment of the economy, education and science and technology in Tibet.

Over the past seven years, the local government has allocated 60 million yuan (about 16.2 million U.S. dollars) as special funds to help the poor, plus an additional 200 million yuan (about 54 million U.S. dollars) in low-interest or interest-free loans.

The recent visit to the United States by Tibetan opera, music and dance troupes from Lhasa, the airing of Mutual of Omaha's "Spirit of Adventure" on ABC-TV and visits to Tibet by many Americans "all give testimony to the fact that the culture and tradition of Tibet are being well preserved and developed and the life of the Tibetans is being improved," said Zheng.

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Refuting the so-called "Sinocization" of Tibet, the Chinese press counselor said Tibet has a total population of 1.96 million, but the number of Han people is only 76,000, while 14,000 belong to other minority nationalities.

There are more than 33,000 Tibetan Government functionaries serving in the region, which make up the majority of the cadre body in the local government.

In family planning, he went on, although the practice of "one child for one couple" is encouraged, second and third births are permitted to the Tibetan people.

CORRECTION TO NEWS ANALYSIS OF SHULTZ' MOSCOW VISIT

The following corrections to the item headlined "XINHUA News Analysis of Shultz' Visit to Moscow," published in the 13 April China DAILY REPORT on pages B 2 and B 3, are supplied from Beijing XINHUA in English at 0053 GMT on 14 April:

last paragraph, lines one through three read: ...the Soviet Union reduce its short-range missiles in Europe, and at the same time allow the United States... (rewording sentence);

paragraph six, lines one and two read: ...in mind, French Prime Minister Jacques Chirac and NATO Secretary General... (changing identification of French visitor)

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QIAN QICHEN ARRIVES IN MOSCOW FOR TALKS

OW131214 Beijing XINHUA in English 1209 GMT 13 Apr 87

[Text] Moscow, April 13 (XINHUA) -- Chinese Vice Foreign Minister Qian Qichen, special envoy of the Chinese Government, arrived here today to attend the tenth round of Sino-Soviet consultations on normalizing relations between the two countries.

Qian was greeted at the airport by his Soviet counterpart Igor Rogachev and Li Zewang, Chinese ambassador to the Soviet Union.

The tenth round of consultations will start Tuesday.

Qian told reporters before his departure from Beijing: "We will, as always, conduct dialogues in earnest on the normalization of Sino-Soviet relations and particularly on the removal of the hot spot between the two countries, that is the question of Kampuchea. We hope that progress will be made in the consultations."

The talks have been held twice a year in Moscow and Beijing since 1982. The two countries have made progress in improving economic and cultural ties but remain at odds on political issues.

The ninth round of Sino-Soviet consultations was held in Beijing last October.

BAN YUE TAN REPORTS USSR'S REFORMS, OBSTACLES

HK101439 Beijing BAN YUE TAN in Chinese No 6, 25 Mar 87 pp 54, 55

[Article by Yang Futian (2799 4395 3944) and Ju Mengjun (0215 1322 6511): "Resolution and Obstacles in Reforms in the Soviet Union"]

[Text] In order to implement the "strategy for accelerated development" outlined at the 27th CPSU Congress, the CPSU Central Committee held a plenary session from 27 to 28 January this year, with reforms and the party's cadre policy as its main theme. This was yet another important party conference held since Gorbachev became the general secretary of the CPSU Central Committee in 1985 and attracted the attention of the world's media.

In his report before the plenary session and other speeches made at some occasions after the conference, Gorbachev underscored even more strongly the necessity and urgency for the Soviet Union to carry out reforms in its economic, social, and other domains. He spoke of the Soviet Union resolutely beginning reforms and indicated that it was necessary to continue down this path. At the same time, he pointed out: "The works on reform are even more difficult than had been envisaged, and the roots of existing problems in society are even deeper than had been thought of at first."

With its entry into the 1970's, along with the deterioration of crude operational conditions, the defects in the highly centralized management system of the Soviet national economy became increasingly more evident. The system seriously hampered the initiative of production units and of the working people, undermined progress in science and technology as well as the enhancement of efficiency in the entire national economy, and caused a continuing decline in the economic growth rate. [paragraph continues]

The majority of the indexes of the last three 5-year plans were not achieved, while national income, which reflects overall economic standards, only grew by 2.6 percent in 1982, in effect a drop to the lowest post-war level. Later, due to the adoption of some measures to perfect and reform the economic system, the economic situation gradually made a turnaround, and in 1986, the national income went up by 4.1 percent. Regarding the state of the Soviet social economy in recent years, Gorbachev believes that "positive progress does exist", but that "the burden of the accumulated problems is too heavy, and in resolving these questions, we have been too timid."

In talking about the major causes behind the stagnation of Soviet society and the economy over the last few years, Gorbachev candidly admitted that "first of all, owing to subjective reasons, the CPSU Central Committee and state leadership failed to promptly and fully assess the necessity of reforms and the dangers of nurturing crisis in society. They failed to formulate definite lines to overcome these phenomena and to more fully take advantage of the potentials in the socialist system." "In the formulation of policies and in practical activities, conservative ideas, idleness, neglect of all those who do not conform to normal habits and formulas, and reluctance to resolve urgent social economic problems -- all these factors took the upper hand." He stressed that the way out was to carry out "genuine revolutionary and overall reforms" in all areas of Soviet society. Thus, it can be seen that he has adopted a "go for broke" determination on reforms.

Along with the implementation of economic reforms, Gorbachev specifically proposed in this Central Committee plenary session that it was necessary to draw lessons from past work on cadres. It was imperative to ensure the continuity of leadership, to frequently absorb fresh forces; not to regard lightly the political and theoretical training or the ideological and moral tempering of cadres. It was necessary to overcome two tendencies: On the one hand there is stagnation among higher level leadership, while on the other hand there are unreasonable and frequent changes in leadership in enterprises and organs below. Moreover, it was also necessary to strengthen the sense of discipline, make stricter demands on the cadres, and not allow unqualified people to stay on leading posts for years and years. A serious mistake in the long years of cadre work was caused by unsatisfactory implementation of the democratic principles as well as grave flaws in the work of the supervisory organs. He emphasized that the cadres' attitude on reforms will be the decisive standard in cadre policy. He also suggested that it was imperative to reform the party's work, reshuffle party cadres at all levels, from the central to the grass-roots organizations, and carry out the voting system in the selection of leaders of enterprises, including the use of secret balloting in choosing leaders of party committees.

The plenary session also stressed the necessity of appointing and promoting non-party people to take on leading jobs; it spoke of fostering democracy, launching criticism and self-criticism and other issues. It believed that "only if there is widespread democratization in the Soviet Union can the people then be mobilized into concretely and conscientiously taking part in the reforms."

This CPSU Central Committee plenary session, which was held only after three postponements, demonstrated that the ongoing reforms in the Soviet Union face formidable obstacles. Based on some recent speeches by Gorbachev and on publications in Soviet newspapers and journals, the obstacles to the current reforms come from three sides. One is represented by people whose interests are affected by the reforms and who will not be able to carry on with their past activities. [paragraph continues]

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In particular, the reform of the electoral process will force "those people who, to this day, control enterprises, districts, cities, and laboratories as if they were monopolies and rarely listen to suggestions from the staff" to lose their positions and benefits. Another group is the "people with old concepts" who do not realize the intensity and gravity of the various problems confronting society. The third side is "people who adopt a wait-and-see posture." While they acknowledge the necessity of reforms and also applaud them, they dare not lead the way.

Gorbachev believes that "without thoroughly smashing idleness and the obstacles," the reforms will amount to nothing and there is the danger that the country will sink into stagnation and rigidity. However, genuine reforms will definitely not be able to produce instant results in the Soviet Union.

SOVIET COOPERATION IN SHANXI COAL INDUSTRY NOTED

OW13.306 Beijing in Russian to the USSR 1800 GMT 11 Apr 87

[From a Beijing radio correspondent's interview with Wang Senhao, governor of Shanxi Province, on cooperation with foreign companies in developing the coal industry]

[Excerpt] [Passage omitted on cooperation with Armand Hammer's Occidental Petroleum Company] The Soviet Union, said Shanxi Governor Wang Senhao, is a leader in the coal industry. Recently, our province started cooperating with the USSR in construction of a concentrating plant at the Taiyuan coke and coking chemicals combine.

Construction of the plant buildings has already begun, and installation of the equipment will begin next year. We are sure that cooperation with our Soviet colleagues will be fruitful and successful. [passage omitted]

ZHAO ZIYANG STRESSES FRIENDLY TIES WITH JAPAN

OW131418 Beijing XINHUA in English 1409 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- Chinese Premier Zhao Ziyang met Ryoichi Sasakawa, chairman of the Japan Shipbuilding Industry Foundation, and his party, here today.

Zhao said that it is the policy of the Chinese Communist Party Central Committee and the Chinese Government to develop friendly relations with Japan and this will not be altered by changes in personnel in China's leadership.

Zhao reiterated that the present level of friendship between the two countries is hard-earned and must be treasured and safeguarded. He said: "Anything that hurts the feelings of the Chinese and Japanese peoples or harms Sino-Japanese friendship should be avoided."

He said that continuing Sino-Japanese friendship from generation to generation is in the long-term interests of the two peoples and people in the Asian-Pacific region.

During the meeting, Zhao spoke highly of Sasakawa's efforts to enhance Sino-Japanese friendship.

Wang Zhen, honorary president of the China Association for International Friendly Contacts, attended the meeting.

CPC GREETES KIM IL-SONG ON 75TH BIRTHDAY

OW140736 Beijing XINHUA in English 0726 (MT 14 Apr 87

[Text] Beijing, April 14 (XINHUA) -- The Central Committee of the Chinese Communist Party today sent its warmest greetings to Kim Il-song, general secretary of the Workers' Party of Korea, on his 75th birthday anniversary, which falls on Wednesday.

The message of greetings to Kim, who is also president of the Democratic People's Republic of Korea, said: "By integrating the universal truth of Marxism-Leninism with the concrete practice of the Korean revolution in the more than half a century of your revolutionary career, you have led the Korean people in the prolonged and brave struggle against imperialist aggressors, [and] founded and safeguarded a nation in which the working people are the master for the first time in the history of Korea -- the Democratic People's Republic of Korea."

It said: "Under the wise leadership of the Workers' Party of Korea led by you, and after nearly 40 years of hard struggle and industrious construction of the Korean people since the founding of the nation, Korea today has become a flourishing socialist country with a modern industry and a developed agriculture."

It said: "You and the Central Committee of the Workers' Party of Korea led by you have made unremitting efforts and indelible contributions to the continuous strengthening and development of the great friendship and unity between the two parties, countries and peoples of China and Korea. The Chinese Communist Party and people will always bear them in mind." The message expressed the wish for an everlasting friendship between the two parties and peoples of China and Korea.

PORTUGAL'S SILVA CONTINUES VISIT; MEETS LI

OW131039 Beijing XINHUA in English 1018 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- Chinese President Li Xiannian met here today Portuguese Prime Minister Anibal Cavaco Silva who has come to China for the signing of the Sino-Portuguese Joint Declaration on the Macao Question.

During the meeting, Li said that China and Portugal have completed a historical mission.

He said that because the two sides maintained a sincere attitude, the negotiations on the Macao issue achieved success, adding that this has set an example for negotiations between other nations.

Silva agreed with Li, saying that Portugal will continue its efforts to promote prosperity and stability in Macao.

On bilateral relations, Li said the Chinese side is satisfied with the developments between the two countries in the fields of politics, economy, and science and technology since the establishment of diplomatic relations between them.

Silva said that the relationship between Portugal and China is harmonious, adding that the relationship was cemented by Li's Portugal visit in 1984.

He said that his current visit to China will also serve to promote the development of the relations between the two countries.

Li said that during his last visit to Portugal he was warmly welcomed by the Portuguese Government and people.

Li and Silva also exchanged views on some international issues during the meeting.

At the beginning of the meeting, Silva conveyed to Li a letter from Portuguese President Mario Soares.

Confers With Peng Zhen

OW131400 Beijing XINHUA in English 1350 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- Peng Zhen, Chairman of the Chinese National People's Congress Standing Committee, and Portuguese Prime Minister Anibal Cavaco Silva pledged here today to assure Macao's stability and development.

During their meeting this afternoon, Peng described today's formal signing of the Sino-Portuguese Joint Declaration on the Macao Question as an important and happy event, which has answered a question left over from the two countries' history.

He paid tribute to Silva for his contribution to this issue.

Silva said the signing of the joint declaration has opened the door to future fruitful cooperation and constitutes a beginning of a new phase of their bilateral relations.

He described the agreement as a very good document, which will be conducive to Macao's stability and development.

Peng said China will implement the declaration to the letter. He maintained that during the transitional period efforts by the Portuguese side are also very essential.

Silva pledged Portugal's every effort in this matter.

He said Portugal and the European Economic Community appreciate China's achievements, modernization program and policies on reform and opening to the outside world.

Peng said opening to the outside world and enlivening the domestic economy accord with the objective law of development in China's history. China prospers whenever it practises open policies, so do other countries in the world, he added.

Both Peng and Silva said they hoped the two countries' parliaments and peoples would increase contacts and expand friendship and cooperation.

Peng asked Silva to convey his regards to Portuguese President Mario Soares and Assembly President Fernando Amaral.

This afternoon, Chinese State Councillor and Foreign Minister Wu Xueqian and Portuguese Foreign Minister Pedro Pires de Miranda held talks to exchange views on bilateral relations and international issues of common concern.

Views Painting Exhibition

OW131926 Beijing XINHUA in English 1521 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- An exhibition of Portuguese painting treasures in the recent 100 years opened at the China Art Gallery here today.

Visiting Portuguese Prime Minister Anibal Cavaco Silva, his wife and their party viewed the exhibition, at which 77 pieces of oil painting, gouache and other art forms are displayed.

Chinese Minister of Culture Wang Meng accompanied Silva on the visit.

The exhibition was sponsored by the China Exhibition Agency.

Attends Cultural Evening

OW131258 Beijing XINHUA in English 1203 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- Portuguese Prime Minister Anibal Cavaco Silva and his wife attended an evening performance of music, dances, acrobatics and Beijing opera here this evening.

Zheng Tianbin, Chinese minister of foreign economic relations and trade, and Wang Meng, Chinese minister of culture, accompanied the Portuguese visitors at the performance sponsored by the Chinese Ministry of Culture.

IRANIAN AMBASSADOR AVOIDS COMMENT ON PRC MISSILES

HK130722 Hong Kong AFP in English 0708 GMT 13 Apr 87

[Text] Beijing, April 13 (AFP) -- Iran's ambassador to China on Monday neither confirmed nor denied reports that Iran has deployed Chinese-made missiles along the Strait of Hormuz.

Alaedin Broujerdi told a Beijing news conference that defending the narrow strait -- through which all oil shipments move out of the Gulf region -- was a top priority for Teheran, which has been at war with Iraq since 1980.

China has consistently denied arms sales to Iran. On March 19 it said its stated position of not selling weapons to Iran was "consistent and known to all."

Asked to confirm or deny reports that Iran had deployed Chinese-made land-to-sea missiles on its side of the Strait of Hormuz, Mr Broujerdi replied:

"In consideration that the defence of the strategic Persian Gulf region is a top priority for the Islamic Republic of Iran, and in consideration that oil rigs and the oil flow of the shipping lanes are of vital importance not only to Iran, but also to the Persian Gulf, we shall with full force defend by any means the Persian Gulf and our own defense."

Western military experts in Beijing said recently that China had officially authorized the export of HY-2 Styx missiles in 1984. The missiles are based on the Soviet SS-N-2 missile, and have been deployed along the Chinese coast.

The U.S. State Department recently said there was "no reason to doubt" that Iran had deployed Chinese missiles. China is one of the world's top 10 arms exporters, and Western experts say it has sold Styx missiles to Egypt, Bangladesh, Pakistan and several African nations, as well as Iran.

Asked about the existence of any Sino-Iranian military agreements, Mr Broujerdi said: "Officially, we have no such relations with this country."

He indicated that if Iran did possess Chinese arms, they could have been seized from Iraqi forces.

During a visit to China last month, U.S. Secretary of State George Shultz asked Beijing to halt arms sales to Iran.

China replied that it was remaining strictly neutral towards the Gulf war, while Mr Shultz stated: "We can expect China to proceed as before."

ZHAO ZIYANG PRESENTS GOVERNMENT WORK REPORT

OW121451 Beijing XINHUA Domestic Service in Chinese 2305 GMT 11 Apr 87

[Work Report of the Government Delivered by Premier Zhao Ziyang at the Fifth Session of the Sixth National People's Congress on March 25 and Endorsed by the Congress on April 11, 1987 -- XINHUA headline]

[Text]

Report on the Work of the Government
(Delivered at the Fifth Session of the Sixth
National People's Congress on March 25, 1987)
Zhao Ziyang
Premier of the State Council

Fellow deputies, On behalf of the State Council, I now submit a report on the work of the government for examination and approval by the present session.

I. The Current Domestic Situation and Our Basic Tasks

Since the 3d Plenary Session of the 11th Central Committee of the Chinese Communist Party in December 1978, the party's line, principles and basic policies for building socialism with Chinese characteristics have been tested, enriched and developed in practice. Guided by the party's correct Marxist line, our one billion people have made concerted efforts, advanced in a pioneering spirit and scored more remarkable achievements in socialist construction than in any other period since the founding of our People's Republic in 1949. We have had nationwide stability and unity, the national economy has been developing steadily and our people are now enjoying a happy, secure life. The country's economic strength has grown considerably, and the material and cultural life of the overwhelming majority of urban and rural residents has markedly improved. Our country has grown more prosperous day by day. The creative power of the Chinese people and the superiority of our socialist system are making themselves felt more and more in the current reform.

Nineteen eighty-six was a year in which the Seventh 5-Year Plan (1986-90) was launched and notable successes were achieved in its implementation. It was a year in which the people of all our nationalities, under the leadership of the Communist Party, continued their victorious progress in building socialism with Chinese characteristics.

Our most important economic success last year was that, through initial readjustment, we began to slow the excessively rapid economic growth that occurred from late 1984 to mid-1985, bringing the entire national economy back to normal development. Total social output value in 1986 reached 1,877.4 billion yuan, up 9.1 per cent over the previous year; of this, the total output value of industry and agriculture amounted to 1,510.4 billion yuan, a 9.3 per cent increase. National income was 779 billion yuan, an increase of 7.4 percent. Total grain output came to 391.09 million tons, an increase of 11.99 million tons. New progress was also registered in forestry, animal husbandry, fishery and other kinds of rural production, including industry. There was basic balance between the development of agriculture and industry and between the development of light industry and heavy industry, and there was an improved mix of products in each sector. [paragraph continues]

Steel output in 1986 reached 52.05 million tons, up 11.2 per cent over the previous year; output of electricity amounted to 445.5 billion kwh, an increase of 8.5 per cent; production of crude oil and natural gas grew steadily and there was an ample supply of coal. Strains that had existed over the years on the supply of means of production began to ease. The output of readily marketable manufactured consumer goods grew at a rate higher than that of industry as a whole. The market was brisk, with most goods in normal supply and demand. The state plan for transport and post and telecommunications was overfulfilled. In foreign trade, despite many difficulties such as the drastic fall in the world oil prices and the violent fluctuations in the world economy, we overfulfilled the state export plan and, by making great efforts and taking the necessary measures, reduced inappropriate imports. This enabled us to cut our deficit in foreign trade. The living standards of both urban and rural residents continued to improve on the basis of increased production.

While consolidating what has been achieved in recent years, we made innovative progress in some aspects of economic restructuring that is of decisive importance to China's economic development. Horizontal economic ties between enterprises became broader and stronger. Reform of the labor system took an important step forward. Institution of different forms of the responsibility system in business operations and of the system of full responsibility for factory directors created important conditions for bettering the managerial mechanisms of enterprises. Further relaxation of control over the prices of small commodities and appropriate relaxation of control over the price differentials of some other goods based on quality, region and season helped to increase production and enliven the market. Reform of the financial system and expansion of the capital market facilitated the flow and rational use of funds. In addition to ensuring and stimulating the current steady economic growth, these achievements provide useful reference points for our future efforts at reform and will surely have positive long-range effects. It is already clear that the measures the State Council took last year to strengthen and improve macro-economic control and the policy it established of "consolidating, assimilating, supplementing and improving" the reforms begun in 1985 were necessary and correct, and that significant results have been achieved in these respects. We are fully confident that, through planned and well placed readjustment and reform, we can push China's entire economy a step further along the path of steady growth.

In 1986, focusing on economic development, we achieved gratifying successes in science and technology, education and ideological and cultural work. Our scientific and technological workers continued to implement with great enthusiasm the principle of gearing their professional activity to economic construction, actively pushed ahead the reform of the system for managing science and technology, made earnest efforts to tackle key problems in science and technology, strove to develop and disseminate research findings and actively carried out the "spark program" designed to invigorate the rural economy. They achieved successful results in more than 10,000 major scientific and technological research projects, most of which have been applied in production and construction, yielding significant economic and social benefits. On the basis of several years of continuing research and scientific verification by thousands of specialists, we have worked out and promulgated our technology policies for 12 spheres, including energy, transport and communications, agriculture and machine-building, and have announced our plans for a high-technology research and development programme in the fields of bio-engineering, information, astronautics, automation, energy, lasers and new materials. All this will certainly play a major role in our country's current and long-term scientific and technological development as well as its social and economic development. Thanks to the diligent efforts of our educational workers, varying progress was made last year in introducing nine-year compulsory education, improving the structure of secondary education, developing vocational and technical education and improving both regular and adult higher education. [paragraph continues]

Our ideological and cultural workers did much to build a socialist society with an advanced culture and ideology, and they made fresh contributions to the development of China's cultural undertakings, such as the press and publishing, broadcasting and television, literature and art, public health and sports, and work related to cultural relics, libraries, cultural centers, museums and exhibition halls. With the advance of socialist modernization, Chinese intellectuals will undoubtedly be called upon to play an even more important role.

Our political stability and unity, which are essential guarantees for economic and social development, continued to be consolidated last year. Socialist democracy and the socialist legal system were further strengthened, and governments at all levels worked hard to make our country's political, economic and social life more democratic. Building on the steady improvement of legislation over the last few years, the Standing Committee of the National People's Congress examined and adopted 11 laws in 1986, and the State Council formulated and promulgated 59 administrative statutes. The legal system governing our state affairs and social life, which for historical reasons leaves much to be desired, was gradually improved. Extensive dissemination of knowledge about the law made government personnel more conscious of the need to act within the framework of laws and enhanced the people's awareness of the legal system and their understanding of how to conduct themselves as good citizens. The broad patriotic united front in our country grew and gained in strength. The relations of long-term cooperation between the democratic parties and democrats without party affiliation on the one hand and the Communist Party and the government on the other were cemented, as were the relations among the people of all our nationalities -- relations of equality, mutual assistance and close unity. Public order in our country remained stable, and standards of social conduct improved as a result of our continued efforts to crack down on economic and other crimes, to preserve public security through coordinated measures and to rectify all kinds of bad tendencies. Long-term political stability is the common aspiration of our people as well as a basic policy of our state, and we are convinced that this objective will be attained.

The Chinese People's Liberation Army is a great wall of steel protecting our motherland and an important force in national construction. New progress was made over the past year in modernizing and regularizing the Army and making it more revolutionary; the task of streamlining its structure and reducing its personnel by 1 million was nearly completed, and both the military and political quality of its officers and men was further improved. The Army made new contributions to the building of a socialist society that is advanced materially, culturally and ideologically, to the consolidation and development of a new relationship between the Army and the people, to the maintenance of domestic stability and unity and to the defence of our country's territory and the security of its borders. We have every confidence that the People's Liberation Army will contribute even more in these respects to the country and the people. The people's police accomplished a great deal and scored new successes in maintaining public security and stability and consolidating the people's democratic dictatorship.

The facts and the general account given above amply demonstrate that, on the whole, our country is full of vigor, that the cause of socialism is thriving and that the situation is encouraging.

Fellow deputies, while fully and objectively affirming the main, essential aspect of the overall situation in our country, we must be keenly aware of the many difficulties that lie ahead and of the shortcomings and problems in our work.

In the economic sphere, although the problem of total social demand surpassing total supply has been somewhat alleviated, it has yet to be solved fundamentally and there are still some destabilizing factors. There has been a deficit in state finances, the prices of a number of commodities have risen a little too much and there is an imbalance between foreign exchange receipts and payments. Economic efficiency of industrial production and construction has remained low; some products have deteriorated in quality, and some have been overstocked; in the manufacture of others, consumption of materials has been high, raising production costs. In the political-ideological sphere, we are confronted with the heavy task of eliminating the influence of the trend towards bourgeois liberalization. Although by and large, government personnel at all levels are working hard for the people, there are certain failings in the work of the government, such as short-sightedness and a lack of effective measures. Great efforts are called for to eliminate such defects as organizational overlapping, overstaffing, low efficiency, bureaucratism and unhealthy tendencies on the part of government personnel. We must pay close attention to these problems and take practical measures to solve them.

Practice has shown that complete, correct and firm implementation of the political line formulated at the 3d Plenary Session of the 11th Central Committee is the fundamental guarantee and source of strength for smooth socialist modernization. In light of this basic practical experience and the current economic and political situation in our country, we should concentrate in fulfilling the following two major tasks in the year between the present session of the National People's Congress and the next. First, in the economic field we should adhere to the correct principle of construction, carry out everywhere the campaign to increase production, practice economy, raise revenues and reduce expenditures, deepen the structural reform and further open the country to the outside world, in order to ensure the stable, sustained growth of the entire economy. Second, in the political-ideological field we should conduct in-depth education in the necessity of upholding the four cardinal principles (keeping to the socialist road, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party, and upholding Marxism-Leninism and Mao Zedong Thought, resolutely combat bourgeois liberalization and do more to build a socialist society with an advanced culture and ideology, in order to further consolidate and develop political stability and unity. Governments at all levels, all fields of endeavour, all enterprises and institutions, and all public organizations should focus on these two tasks and push ahead with down-to-earth work, keeping in mind the relevant arrangements made by the central authorities and their own specific conditions. We hope that all our workers, peasants, intellectuals and cadres and all the officers and men of the People's Liberation Army and the people's police will do what they can at their respective posts to contribute to the accomplishment of these tasks.

II. Persist in the Principle of Steady, Sustained Economic Development

Judging from the situation as a whole, in the 8 years since the 3d Plenary Session of the 11th Central Committee, China has basically achieved steady, sustained development of its economy. This is the cornerstone of our country's stability and unity and of its social progress. If we can maintain this momentum over a long period without setbacks, it will not only be of great immediate significance for the consolidation and development of the present excellent economic situation, but it will also have a tremendous, long-term impact on our efforts to modernize, to increase our economic strength, to improve the people's well-being and to enhance China's status and role in the world. We must make this goal the point of departure for our entire economic work and push ahead unflinchingly in the set direction.

In light of our experience in economic construction over the more than three decades since the founding of New China, and especially over the past 8 years, and considering the present economic conditions, what must we do to ensure the steady, sustained growth of the economy?

First, we must attach strategic importance to strengthening agriculture in our effort to increase economic growth. For a vast country like China with a huge population and low productivity, steady growth of agriculture as the foundation of our economy is of paramount importance to the economy as a whole. One of the main reasons for China's unsteady economic growth for many years in the past was the slow development of agriculture and its fluctuating yield. The steady growth of the economy over the last 8 years is due first and foremost to a continued and substantial increase in agricultural production, which has provided major conditions for the development of industry and the economy as a whole. The agricultural problem is mainly one of grain production. While never relaxing our efforts to produce grain, we must actively develop a diversified economy and continue to improve the structure of rural production. Major successes have been achieved in rural reform over the past few years, resulting in an all-round increase of agricultural production. But that does not mean we can overlook the role of agriculture as the foundation of the economy or neglect rural work. We must fully realize that our country's per capita output of grain and other farm and sideline products is still very low and that grain production, forestry, animal husbandry and fishery rest on rather weak foundations. We must also realize that the Chinese countryside as a whole is still in the development stage and that, consequently, there is a vast potential to be tapped through deep-going reform, a wealth of rural resources to be exploited and developed. In a word, there are broad prospects ahead for rural economic growth. We must deepen the current reform and increase input so as to build up our capacity for sustained agricultural development. With intensified reform, we must work out a series of new systems necessary for rural work and, when conditions are ripe, gradually codify the correct policies into laws to ensure their stability. Effective measures must be taken to protect farmland, forests and grassland, step up farmland capital construction and spread the application of research findings in order to constantly raise the scientific and technological level of agricultural production. We must see to it that enough acreage is devoted to growing grain and strive to raise per-unit yield, so as to bring about a steady and substantial increase in grain output and, on this basis, to promote an all-round, stable development of the rural commodity economy. We must keep up our efforts to help the old revolutionary base areas, areas inhabited by minority nationalities, frontier areas and poor areas to cast off poverty and become prosperous so that, by expanding production, the people there can rapidly solve the problem of food and clothing. This is an important task both economically and politically.

Second, we must act in accordance with the objective economic law that requires the scale of construction to be compatible with national strength. Compatibility of the scale of construction with national strength is a basic guarantee for the steady growth of the whole economy. Initial success was achieved last year in curbing excessive increase of investment in fixed assets. Investment in capital construction made by state enterprises and institutions went up 7.3 per cent over 1985, a rate much lower than the 1985 figure of 44.6 per cent over the preceding year. The main problems we face today are that the increase in fixed-asset investment outside the plan has yet to be brought under control, that too many new projects have been launched and that the scale of construction is overextended. What merits our greater attention is that the pattern of fixed-asset investment is highly irrational. Quite a number of the projects under construction involve ordinary processing industries, and many others are non-productive projects such as ultra-modern office buildings, auditoriums and hotels, which should not have been undertaken in view of the current national strength. [paragraph continues]

On the other hand, there is not enough investment in such weak links in the economy as energy, transport, telecommunications and the raw and semi-finished materials industries. Unless this investment pattern is readjusted in good time, large numbers of processing enterprises will be unable to become productive and many non-productive installations will be unable to go into operation for lack of the necessary energy, transport, telecommunications facilities and raw and semi-finished materials, and the result will be tremendous social waste. Or else, we shall have to procure additional funds amounting to tens of billions of yuan to expand construction of basic industries and infrastructure, which will inevitably mean an undesirable extension of the scale of investment. To further reduce the inordinately large scale of the ongoing projects and remedy the irrational investment pattern, the State Council made a decision early this year to resolutely carry out the principle known as the "three guarantees and three restrictions". This means we must guarantee the construction of projects included in the plan, of productive projects and of key projects, while restricting projects that are outside the plan, non-productive and non-key. This principle is being conscientiously implemented in most localities, but some departments and local authorities have failed to take prompt and effective measures in this regard. This state of affairs must be changed. We must keep the scale of construction strictly within the limits allowed by our national capacity and see to it that efforts are redoubled for key projects that directly affect the general interest.

Third, we must be sure to base the increase of consumption on the growth of production. In the past few years we have done solid work to correct the lopsided stress on accumulation to the neglect of consumption and adopted a series of measures to deal with the problems in people's everyday lives that have remained unsolved over the years. As a result, the income and consumption levels of most urban and rural residents have risen noticeably. That is necessary and correct. We shall continue to carry out the policy of steadily improving the people's living standards on the basis of increased production. However, we must point out that an important problem exists in our country's present economic life: effective consumer demand has increased too fast, with the desire for consumer goods becoming ever greater and the standards sought ever higher. This is particularly true of institutional consumption. Many government offices, enterprises, institutions and public bodies squander large amounts of public funds, indulging in ostentation and extravagance, vying with each other in luxury, giving lavish dinners and gifts, issuing excessive subsidies in kind and seeking unjustifiably high standards in all construction projects. Excessive increases in wages and bonuses and in group purchases have pushed up production costs and intensified the contradiction between consumption pattern and production structure. In the past few years production of many high-priced consumer durables has greatly increased, and much foreign exchange has been expended on importing large numbers of whole machines and parts, but the contradiction between market supply and demand remains sharp. This trend of the consumption pattern is incompatible with China's current level of economic development and the changes in production structure. Unless correctly guided, it will result in reduced accumulation of funds and make continued economic growth difficult. More seriously, it may serve to corrupt social morality, in that some people will sacrifice their pioneering spirit to a love of luxury; a contradiction will arise between the low per capita national income and the exaggerated desire for consumption, causing various social problems. Production is the prerequisite of consumption, and the latter can only be increased gradually in accordance with the growth of the former. Under normal conditions the people's living standards must rise at a lower rate than production and labour productivity, and the increase of individual and group purchasing power must conform to the increase in production of consumer goods. This is an inviolable objective economic law. Particularly at present when our country is in the initial stage of socialist modernization, we need to accumulate enormous construction funds. [paragraph continues]

That is why we must adhere to the principle of building our country and conducting all undertakings by means of thrift and long years of hard work, instead of seeking inordinate consumption. Over the past few years, we have failed to place due emphasis on this principle and we should draw a lesson from that experience. From now on, we must arrange an appropriate level of individual consumption in accordance with the economic realities and development possibilities. At the same time, we must adopt effective policies and measures to strictly control institutional consumption, and we must correctly guide and regulate the people's demand for consumer goods, and their standards, psychology and mode of consumption, so that they can adapt themselves to our country's available resources and the level of development of the productive forces. Strict control of population growth is of enormous importance to the healthy progress of our country's modernization drive and to the steady improvement of the people's living standards. Therefore, we must steadfastly continue to carry out our principles and policies with regard to family planning.

Fourth, we must work to strike a basic balance between state revenue and expenditure and between credit receipts and payments. This is an important principle in our economic work as well as a major guarantee for economic stability. There was a deficit in state finances last year and also an unfavorable balance between bank credit receipts and payments. Although the financial deficit was partly the result of the sharp drop in world oil prices, reduced income from export and some other factors, it also reflected our unreasonably heavy spending. As the economy was channelled from the excessively rapid expansion of the previous 2 years to normal growth, irregular items of income gradually decreased and state revenue grew at a lower rate, but the heavy expenditure that occurred in the years of excessive growth was not reduced as expected. In the past few years funds owned by the localities, departments and enterprises have greatly increased, and the proportion of state revenue in the national income and the proportion of the revenue of central financial authorities in state revenue as a whole have both dropped considerably. However, the authorities in charge of state finance, and particularly the central financial departments, still have to support many projects that should have been undertaken by the localities, departments and enterprises with funds of their own. Also, while funds are now much more dispersed than before, we have not yet set up systems and mechanisms to channel the funds in society at large to points where they are really needed. All this has provided objective conditions allowing localities and departments to develop processing industries and expand non-productive construction without justification and has created difficulties for the state, especially the central financial authorities. Unless correct policies and effective measures are adopted to correct this situation without delay, financial and credit deficits are likely to increase in the next few years. Financial and credit deficits are closely related to currency issue. There is nothing to fear if they occur in certain years in the course of economic growth. But if deficits are allowed to grow too large and last too long, they will lead to overissue of money, and this, in turn, will cause drastic inflation, a precipitous rise in commodity prices and chaos in economic life. For this reason, in light of the new distribution pattern we must resolutely cut back on expenditures and rationally readjust the pattern of financial revenues and expenditures of the central and local authorities, appropriately increasing the proportion of revenue of the central financial authorities. This year, through the issue of bonds and other measures, the state will gather together those dispersed extra-budgetary funds that can be concentrated for use on key construction projects. Banks must actively attract savings deposits, pool funds lying idle in society, open up more sources of funds and make proper arrangements for various kinds of loans. While measures must be taken to ensure the working funds of enterprises and funds for purchasing farm and sideline products, other loans must be strictly controlled, and the amount of currency issued must be kept within the framework of the state plan.

Fifth, we must continue to guard against the tendency to pursue an unrealistically high growth rate. Only by matching needs with possibilities, by stressing proportionate development and high economic efficiency and by maintaining a proper growth rate can we enable our economy to expand steadily. Our objective of quadrupling the gross annual output value of industry and agriculture by the end of this century is realistic and can certainly be attained, because it presupposes increased economic efficiency and scientific and technological progress. If, disregarding economic efficiency and technological progress and ignoring the actual capabilities of the localities concerned and those of the society as a whole, we became obsessed with the idea of doubling and redoubling certain target figures ahead of schedule and as soon as possible, we would seriously interfere with the implementation of the correct construction principles, bring about a strained situation, lose control and cause sharp fluctuations in economic growth. The more haste the less speed. As far as the country as a whole is concerned, economic growth was shifted from an unduly high rate to a normal one last year, but we still have not completely corrected the idea of seeking an inappropriately high growth rate to a normal one last year, but we still have not completely corrected the idea of seeking an inappropriately high growth rate and of trying to bring about rapid change. Ours is a big country with a huge population and a weak economic foundation, and the natural conditions and the level of economic and cultural development vary greatly from one region to another. This basic situation dictates that instead of seeking quick results, we must make persistent, long-term efforts to change the face of our country radically, to make it thrive and to enable the people to attain common prosperity. We must formulate the strategic principle of steady, sustained growth and do practical work to lay a solid foundation and to straighten out economic relationships, in order to promote coordinated, continuous development of our economy. Under no circumstances should we blindly pursue an excessively high growth rate.

Sixth, in the final analysis, we must steadfastly push on with the comprehensive reform of the economic structure, so as to maintain steady, sustained economic growth. The problems we encounter in our current economic life are problems accompanying our advance and development. Thanks to the policies of reforming the economic structure, opening to the outside world and invigorating the domestic economy, our social wealth and economic strength have grown enormously in the past eight years. Compared with 1978, gross national product increased from 348 billion yuan to 938 billion in 1986, up 102 percent in terms of comparable prices; national income increased from 301 billion yuan to 779 billion, up 94.9 percent in terms of comparable prices; state revenue rose from 112.1 billion yuan to 222 billion, up 98 percent; extra-budgetary funds in the possession of the various departments, localities and enterprises increased from 34.7 billion yuan to 167 billion, up 381 percent; and the average per capita consumption of urban and rural residents rose from 175 yuan to 450 yuan, an increase of 86.9 percent after adjusting for price rises. These facts and figures prove that our present difficulties have arisen at a time when production and construction are developing vigorously and the people's living standards are steadily rising, not when the economy is in decline and the people's income is dropping. Therefore, we have the material basis and other favourable conditions for overcoming the temporary difficulties we face. At the same time, we must realize that since ours are new problems attending the smooth progress of reform, we must -- and can -- solve them only through deepened reform. China's economic restructuring is going through a stage when a new structure is being substituted for the old one. Many aspects of the old structure have been abolished, but the new economic mechanisms have not yet been systematically established, and many reforms that have been introduced need supporting measures to complete and perfect them. Coexistence of the new and old structures is one of the main reasons why we lost control of some aspects of the macro-economy 2 years ago and why we face the current problems in finance, credit, investment and consumption. [paragraph continues]

Therefore, we must firmly and steadily push ahead the reform of the entire economic structure and strive to maintain, in the given conditions, the integrity and effectiveness of the economic structure now in operation. For this purpose the State Council has organized people in various quarters to sum up the experience of the past few years and carefully work out specific plans for carrying out the necessary supporting reforms, so as to advance the entire economic structural reform and bring China's economic growth into a "virtuous circle".

Fellow deputies, in addition to the above-mentioned tasks designed to ensure the steady, sustained development of our economy, it is necessary, from both the immediate and long-term points of view, for us to launch a broad, deep-going and protracted campaign to increase production, practice economy, raise revenues and reduce expenditures. This campaign has long been our "magic weapon" in economic construction. Instead of discarding this weapon in the new historical period, we must use it to still better advantage. By widely arousing the masses to increase production and revenue, practice economy and combat extravagance and waste, we can make rational, effective use of our limited social and natural resources, better promote all production and construction endeavours and increase social wealth. Moreover, we can carry forward the fine tradition of building our country and accomplishing all tasks by means of self-reliance, thrift and hard work, so that this tradition becomes a powerful impetus to the growth of the productive forces. This is of great immediate and long-range significance for the building of a socialist society that is advanced both materially, culturally and ideologically.

Since the current campaign to increase production, practice economy, raise revenues and reduce expenditures has been launched in the new situation of intensified reform of the economic structure, it must be integrated with that reform. Practice in the past few years has demonstrated that all enterprises that have been successful in reform have markedly improved their operation, management and overall performance, their awareness of market mechanisms and of competition and their economic efficiency. That is why we say that the campaign to increase production, practice economy, raise revenues and reduce expenditures is both a requirement for and a result of deepening the reform, because the reform, in turn, provides the motive force for the campaign. All localities, departments and enterprises must correctly understand the relations between the two and handle them satisfactorily, so that reform and campaign will be closely integrated and promote each other.

The objective of the campaign should be an overall increase in economic returns and social benefits. As far as industrial production is concerned, while ensuring a normal growth rate we should speed up readjustment of the production structure and the product mix and energetically increase the output of readily marketable products to meet the changing market demand both at home and abroad. All industrial enterprises must raise product quality, reduce consumption of materials, economize on the use of funds, carry out technological innovation and raise labor productivity. Great attention must be paid to the recycling of waste and the multipurpose utilization of materials. With regard to circulation, we should actively exploit the urban and rural markets, make an inventory of warehouses, reduce overstocking, expedite the turnover of commodities and capital, cut circulating expenses and reduce the losses of enterprises. So far as construction projects are concerned, we must increase investment returns by rationally readjusting the investment pattern, cutting back costs and shortening the construction cycle. In other fields, including scientific research, education, culture, public health, physical culture and sports and the work of government offices, mass organizations and the Armed Forces, it is also necessary to stress increased economic returns and social benefits from all expenditures, in order to accomplish more with less money and to put an end to the prevailing serious waste of funds.

We must carry out the decision of the State Council stipulating that administrative, operating, managerial and other expenses this year must be 10 per cent less than the executed budget figures of last year. For a long time to come we shall have to exercise strict control over expenditure.

In the campaign to increase production, practice economy, raise revenues and reduce expenditures, we must attach great importance to the role of science and technology. In production, construction, circulation and marketing and in all areas of endeavor including industry, agriculture, transport and communications, building and commerce, our comrades should take an interest in scientific and technological progress, promote it and take advantage of it in their efforts to increase production, practise economy and improve operation and management. Science and technology departments should continue to carry out the correct development strategy and policy, orienting their main efforts to serving the technological transformation of enterprises and the invigoration of the domestic economy. At the same time, they should organize highly trained personnel to study and develop advanced technologies and should continue to work fruitfully in basic and applied research.

To increase production, practice economy, raise revenues and reduce expenditures, it is of decisive importance to give full scope to the pioneering spirit of all enterprises, cadres and the rank and file. We hope that all enterprises in the spheres of production, circulation and construction will set their sights on and establish their footing in tapping their potential. They should strengthen their basic administrative work, perfecting business accounting, strictly enforcing financial and economic discipline, giving more attention to auditing procedures and correctly carrying out the system of reward and punishment so as to improve their operation and management. In particular, it is necessary to consolidate labor discipline and eliminate the serious backwardness of many enterprises, as reflected in lax management, absence of clearly defined duties and responsibilities and lack of strict discipline. We must protect the legitimate rights and interests of the enterprises and forbid the localities and departments concerned to unjustifiably allocate financial and other quotas to enterprises. Workers and office staff, as masters of the country, should heighten their sense of responsibility for their enterprises, the state and the socialist cause; they should strive to raise their technical and overall professional levels and dedicate all their talents and abilities to the campaign to increase production, practise economy, raise revenues and reduce expenditures. All cadres, especially leading cadres at all levels, should set an example by discharging their duties conscientiously and working hard, being industrious and frugal and doing all they can to make the country prosperous. Leaders in all fields of endeavor and in all localities should strengthen their leadership, draw up concrete plans and measures and sum up and disseminate advanced experience quickly, in order to put the campaign on a solid footing, persevere in it and achieve tangible results.

III. Deepen the Reform of the Economic Structure and Open Wider to the Outside World

Stable growth of China's economy depends not only on adhering to the correct development principles but also on intensifying the reform and opening our country wider to the outside world. One of the main things we have learned in bringing about the tremendous economic achievements of the past few years is that it is essential to combine correct development principles with correct reform measures and a correct open policy so that all are coordinated and promote each other. That is an important guarantee for China's smooth economic modernization. The reform of the economic structure must meet the requirements for the development of our planned commodity economy based on socialist public ownership, and it must focus on invigorating enterprises and perfecting the market system and the system of macro-economic control.
[paragraph continues]

Practice has proved that this orientation and the overall scheme are correct. However, we should be fully aware of the complexity and long-term nature of the reform so that we shall be able to make timely and appropriate adjustments to specific reform plans and supporting measures in the light of changes in the situation. After careful studies, the State Council has set the following major tasks for the economic structural reform in 1987: Concentrating on invigorating the enterprises, especially large and medium-sized state enterprises, we must stress reforming their managerial mechanisms and leadership structure, continue to establish horizontal economic ties between enterprises, speed up the financial reform, expand the capital goods market, gradually reform and improve the labor and wage system, introduce better control over investment in fixed assets and actively prepare for supporting reforms in every area.

First, to intensify the reform of enterprises and establish and improve managerial mechanisms that combine responsibilities, powers and interests. Injecting greater vitality into enterprises is the key element in the reform of China's economic structure. Generally speaking, enterprises have become more vigorous through the reform in recent years. But much remains to be done, especially in the case of large and medium-sized state enterprises that have not yet been fully invigorated. The main reason is this: On the one hand, the decisionmaking powers delegated to enterprises according to state regulations have been held up at the intermediate levels in some localities and departments; on the other hand, while more powers have been granted to enterprises, there is no satisfactory combination of their responsibilities, powers and interests, and we have not yet created conditions for giving them full managerial authority and full responsibility for their own profits and losses. That is why, more often than not, enterprise behavior cannot, on its own, meet the requirements of the overall policy decisions of the state, nor can it respond to market changes promptly and rationally; that is also why institutional reform in the enterprises has been greatly restricted and they have been unable to take full advantage of their potential. To further deepen the reform of enterprises, in addition to ensuring that they really receive the powers delegated to them according to the regulations, we should stress improving their managerial mechanisms and in accordance with the principle of separating ownership from managerial authority, institute different forms of the contracted managerial responsibility system. Our aim is to make the enterprises relatively independent economic entities having full authority for management and full responsibility for their own profits and losses. We should work out rational, flexible methods of operation in light of the characteristics of different trades and enterprises. Generally speaking, small enterprises may be contracted or leased out, and whoever operates them should shoulder full managerial responsibility; large and medium-sized enterprises may carry out different forms of the contracted managerial responsibility system according to their specific conditions. Contracts may be signed to lay down unequivocally the relations -- in terms of responsibilities, powers and interests -- between the authorities in charge of the enterprises concerned and the enterprise managers and between the collective and its workers and office staff. We should protect the legitimate interests of all enterprises and their managers and employees. In short, we should explore diversified effective ways of separating enterprise ownership from managerial authority and gradually work out a system of socialist enterprise management with Chinese characteristics, in accordance with the principle of making public ownership predominant invigorating the enterprises.

In conjunction with the introduction of the enterprises' contracted managerial responsibility system, we should hasten the reform of the leadership structure in enterprises. In accordance with directives of the Central Committee, we should extensively implement and improve the system whereby factory directors assume full responsibility.

The factory director, who represents his or her enterprise as legal person, has overall responsibility for that enterprise. We should put into force a system under which the factory director is held responsible for the attainment of certain objectives during his or her tenure and under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term. This will prompt managers, in cooperation with the other employees, to strengthen the various types of basic work and establish a strict internal administrative system. The enterprises will thus gradually form mechanisms of self-regulation. Also, the above measures will make it possible to train a great number of promising socialist entrepreneurs, who are badly needed for our socialist cause.

Second, to further develop all kinds of horizontal economic ties and encourage the establishment of groups or associations of enterprises. In accordance with the objective needs of economic development, while reforming the enterprises' managerial mechanisms we should promote horizontal economic ties between enterprises, or between enterprises and scientific research institutions, and systematically establish a new enterprise structure adapted to the needs of large-scale, modern, socialized production. As a result of the reform in the last few years, more than 32,000 registered economic associations of various kinds have appeared in the country together with 24 inter-regional horizontal economic networks. In 1987, on the basis of the positive results already obtained in this respect, we shall work out more specific policies and measures to promote the vigorous advance of such associations. We shall encourage and support all localities, departments and enterprises in their efforts to pool production factors, invest in each other and purchase each other's shares, so as to help rationalize the enterprise structure. Where conditions permit, we should establish different kinds of inter-regional and inter-trade enterprise groups or associations and gradually standardize their relations in terms of responsibilities, powers and interests. Enterprises manufacturing military products should also join the various horizontal economic associations, in accordance with the principle of combining military with civilian production and of manufacturing products for both peacetime and wartime use. In view of the experience we have gained in recent years in developing horizontal economic ties, we should pay special attention to the following four points: 1) We should adhere to the principle of voluntary participation and mutual benefit and always place in the lead backbone enterprises or manufacturers of brand-name or high-quality products, thus preventing the enterprise groups from becoming administrative corporations in disguise or purely administrative organs. 2) A number of competitive enterprise groups of different sizes and characteristics may be established within one and the same trade to prevent monopoly by a single enterprise or group. 3) Economic balancing departments at all levels and authorities in charge of specialized enterprises should fully support the enterprises in their efforts to develop horizontal associations suited to their own conditions, and resolute steps should be taken to prevent interference by any departments or regions acting out of their own interest. This will ensure sound progress of the horizontal economic associations and enterprise groups. 4) We should see to it that scientific research institutions are invited to join the enterprise groups to promote the close integration of research with production and enhance the enterprises' capacity to develop technology.

Third, to deepen the reform of the financial structure, exercise more effective control over all social funds and make better use of them. To speed up the financial restructuring is a major aim of the state's efforts to strengthen and improve macro-economic control and a prerequisite for enlivening the domestic economy. Last year saw rapid advance of our financial reform, especially the growth of the money market. This has played an important role in alleviating the shortage of working capital for enterprises and promoting the rational use of social funds. [paragraph continues]

In 1987 we should work for even better results in financial reform, trying in particular to do the following: reinforce and improve the functions of the central bank in overall control and develop various financial institutions, effectively use the many different channels of capital flow, diversify credit services, vigorously promote insurance services in both urban and rural areas and encourage appropriate competition among different types of financial institutions; see to it, where conditions permit, that specialized banks and insurance companies and some other kinds of financial institutions at the provincial level or below are run as enterprises, so that they can gradually assume full authority for independent operation and full responsibility for their own profits and losses; reform the existing system of bank interest rates, gradually straighten out the interest rates for deposits and loans and apply differential rates based on varying lengths of time involved as well as floating rates; improve control over the enterprises' working funds and abandon the practice of having the banks act as sole suppliers of such funds; gradually bring foreign exchange and foreign loans under unified control and increase the liquidity of foreign exchange funds; enhance the role of key cities as financial centers, systematically and under proper guidance develop in large and medium-sized cities multitiered financial markets of varying scales, and exploit the role of financial markets in pooling and regulating funds, guiding their flow and promoting their efficient use.

Fourth, to further expand the capital goods market and create a favorable environment for invigorating enterprises. At present, most big and medium-sized enterprises have yet to be fully invigorated. As far as external conditions are concerned, this is largely due to the lack of developed markets for capital goods. This year, therefore, we should strive to expand and improve the markets for such important means of production as rolled steel, coal, cement and lumber. The state will set aside a portion of the steel earmarked for unified distribution and place it on designated key markets, while strengthening guidance and management. Through necessary economic measures the state will encourage the steel-making enterprises that market the rolled steel at their disposal and the end-users, possessing overstocked rolled steel to sell more of it on the market. To ensure supply, we should encourage enterprises to establish stable relations among themselves, in accordance with the principle of mutual benefit and reciprocity. Where possible, we should spread the experience gained in Shijiazhuang and some other places, where the method of "unifying marketing prices, refunding price differentials if any, gradually relaxing control and expanding the market" is used with regard to some important means of production, whether or not covered by state planning. This will serve to increase the enterprises' power to decide which products to purchase, reduce overstocked goods, prevent illegal dealings and build markets for the means of production.

Fifth, to reform the labor and wage system and gradually rationalize income distribution in enterprises. This year all enterprises should further implement the rules and regulations of the State Council concerning the reform of the labor system. Henceforth, all state-owned units should recruit workers throughout society and apply the labor contract system. At the same time we should establish an insurance system for former employees waiting for new jobs and gradually introduce the practice of pooling retirement pensions for employees on a provincial, municipal or county basis. Except that the state will in the near future set roughly uniform wage standards for reference, in the distribution relations between the state and enterprises the state will set only the ceilings and margins of wage and bonus increases and the norms and ratios by which such increases are to be related to the enterprises' economic performance. Thus, it will be left up to the enterprises themselves to decide on the specific forms and methods of income distribution. In light of its specific conditions, each enterprise may adopt its own forms of distribution, such as time-rate wages plus bonuses, piece-rate wages, floating wages and wages required for per-unit product. [paragraph continues]

These methods will help tie remuneration closely to job performance, do away with egalitarianism and correctly implement the principle of distribution according to work. Meanwhile, the state will further improve the methods and regulations for tightening overall control over consumption funds, in order to make the increase in such funds correspond to the development of production and the growth of national income.

Sixth, to improve management of investment in fixed assets and increase investment returns. In the past few years the institution of various forms of the system of investment responsibility and the practice of public bidding in capital construction has done much to stimulate the initiative of departments, localities and enterprises, rationalize the use of funds and improve returns on investment. This year we shall further spread and improve the different forms of the investment responsibility system. Meanwhile, in the management of fixed-asset investment, we should streamline administration and delegate power to the lower levels, duly extend their powers to examine and approve construction projects, and we should simplify the procedures. We should make departments, localities and enterprises share the responsibilities and risks involved in the investment decisions they make, thus combining responsibilities, powers and interests. On condition that the total investment set by the Seventh Five-Year Plan is not exceeded, more power to examine and approve construction projects will be given to departments that have responsibility for investment; departments and localities that do not have such responsibility will also be granted more power to approve projects in certain trades and professions. Large integrated enterprises under direct state control and large and medium-sized key enterprises enjoying special state aid will be given enlarged power to make decisions relating to the organization and conduct of capital construction and technological transformation. We shall improve annual investment planning, and while strictly controlling the scale of investment, we shall empower localities and departments to make necessary readjustments to investment in construction projects within the limits set by the state. We should improve the method of examining and approving construction projects and shorten the time it takes, so as to raise efficiency. We should break down the barriers between regions, between units and between military and civilian departments and put into effect a system of public bidding, selecting the best tender in the whole process from design and construction right through to supply and import of equipment. That is to say, we should gradually abandon the practice of assigning tasks merely by administrative means.

Fellow deputies, the question of commodity price and price reform is of common concern at present and has aroused much discussion. Our price system is highly irrational, owing to prolonged neglect of the law of value and to rigid and excessive state control. Unless we carry out price reform, it will be impossible for us to establish the well functioning socialist market system that is indispensable to the development of a socialist commodity economy, to effectively promote production and commodity circulation, to provide correct guidance to social consumption, or to establish a new, vigorous socialist economic structure. It is therefore imperative to reform the irrational price system and price control system. However, it will be a very difficult task because it affects hundreds of millions of households. Generally speaking, our price reform is in the nature of structural readjustment. Nevertheless, in the course of reform the general price level is bound to rise, because the prices of farm products, energy, raw and semi-finished materials and other primary products have long been too low, because many products have long been in short supply and also, of course, because of the slight inflation in our economy. A rise in general price level during the reform will inevitably pose the question of whether the state, the enterprises and the people can withstand the strains, both economically and psychologically. So far as the government is concerned, it will make careful studies and estimates and compare the various plans proposed before implementing any price reform measures, so as to keep the general rise in prices down to a level tolerable by society and the people. For their part, the people should deepen their understanding of the necessity of price reform and become better able to adapt themselves to price changes in the context of the developing socialist commodity economy.

It is unrealistic to have only wage increases without changes in commodity prices. That would mean a return to the days of a lethargic economy and wage and price freezes over a protracted period. Such a situation would obviously hinder economic development and a rise in the people's standard of living and is therefore against the wishes of the great majority of the people. The crux of the matter is that we must do everything we can to guarantee that the margin of increase of the people's income is not smaller than the margin of price rise so that, instead of declining, the actual living standard will steadily rise on the basis of expanded production. By and large, we have achieved this in our reform over the past few years, a fact that is obvious to everyone. It goes without saying that the impact of price rises on people's life varies greatly because of differences in income, consumption standards and family size. Life is indeed hard for a small number of people whose income has not increased or has increased only insignificantly, and there are even some whose living standard has actually fallen somewhat. This is a problem we cannot ignore, and we must redouble our efforts to solve it in the course of economic development. Some localities, departments and enterprises, taking advantage of the current price reform, have introduced arbitrary charges and unjustifiable price increases, open or concealed, thus jeopardizing the interests of the consumers and arousing popular resentment. We must put a stop to this. When adopting price reform measures in future, we must adhere to the established correct principles, continue to implement the policy of "combining relaxed control with readjustment and making steady advance", and be even more careful and considered in our work. Reform this year will be confined to readjusting and relaxing control over a very small number of products whose prices have to be changed, and we must see to it that the rise of the general price level is smaller than it was last year. State commerce should continue to play its part in stabilizing prices, and we must make a point of strengthening control over market prices and eliminating all forms of unjustified price rises, including disguised ones. This should be an important law and discipline calling for strict observance, and popular supervision in this regard is welcome.

In the course of reform another problem arises which people are concerned about and to which we must pay close attention: how to correctly understand and deal with the relations between various interests. As the new economic structure is gradually substituted for the old, these relations will necessarily change and readjust themselves accordingly. The old pattern of interests and the old relations of distribution will give way to the new, rational pattern and relations. Such changes will necessarily be gradual, just as will the substitution of the new structure for the old. Judging from the general trend of development, all quarters will benefit economically as the reform progresses. This has been fully borne out in practice during the past few years, and it is a basic reason why our reform measures have won popular support. However, there can never be a simultaneous increase in benefits for all the people: Some will gain greater and earlier benefits than others, and some may even suffer a temporary loss in certain respects. Moreover, readjustment of the various interests cannot be made final all at once. The benefit some people derive from one reform measure may be partly nullified by another, and this loss may be compensated by still another. More often than not, such complicated changes will in some degree affect people's attitudes towards the reform. We must be very aware of this. We should not adopt reform measures blindly but seek insofar as possible to benefit all sectors of the population in order to win consistent popular support for the reform, which will then proceed smoothly. In the meantime, in conjunction with the various reforms we should do careful ideological work among the people to help them understand the protracted and complex nature of the reform, so that they will cherish no unrealistic expectations of increased personal benefits from it and will be mentally prepared to withstand its consequences. [paragraph continues]

Earlier, some of our mass media failed to pay adequate attention to this point, and here we have a lesson to remember. As far as distribution of actual benefits among individuals is concerned, we should continue our effort to overcome egalitarianism in favour of rational differences in personal income, encourage some people to become prosperous sooner than others through their own hard work and help people understand that this is conducive to the development of the productive forces and, therefore, to the realization of common prosperity in the whole society. On the other hand, to avoid too great a spread in income, we should also rationally adjust the high income earned by some through proper and legitimate means. As for those who make fabulous profits through illegal means, we must take strict measures against them, and those who break the laws must be brought to justice.

Fellow deputies, opening to the outside world is a basic policy of our state and one that will remain in force in the years to come. Through our efforts over the past few years we have scored great achievements in this connection. There has been visible progress in the building of the special economic zones, the development of open cities and regions along the coast, the expansion of foreign trade, the use of foreign funds, the introduction of advanced technology and managerial expertise from abroad and in economic and technological cooperation with foreign countries in other fields. In 1987 we shall open wider to the outside world and explore new possibilities for the effective use of foreign funds, the import of advanced technology and the earning of foreign exchange through export. In this way our open policy will play a greater role in China's economic development and socialist modernization.

Using foreign funds and attracting foreign businessmen to launch joint ventures, cooperative enterprises or wholly foreign-owned ones is a major component of our open policy. It is also an important means to make up for the shortage of domestic funds, enhance our capacity to earn foreign exchange through export and raise China's technological and managerial levels. We must carry out to the letter the various policies promulgated by the State Council, policies stipulating preferential treatment for foreign businessmen who invest in China, and we should work to improve the relevant economic laws so as to provide a more favourable investment environment for foreign businessmen. In the light of both Chinese and foreign experience, we should adhere to three principles in using foreign funds: First, there must be control over the total amount of foreign loans procured, and the pattern of such loans should be rational and commensurate with our ability to repay them and to make the best use of them. Second, foreign funds must be used for production and construction, with emphasis on enterprises manufacturing export commodities to earn foreign exchange or producing import substitutes and on those applying advanced technologies. Third, economic results must be emphasized in the use of foreign funds. The net income from the use of such funds must on no account be spent in its entirety. A sufficient amount must be kept in reserve to service foreign loans on time. Only thus can we maintain our country's international credit standing and respectability and secure a firm footing in the family of nations.

In the final analysis, our ability to open wider to the rest of the world and to expand economic and technological interchange with foreign countries depends on our increased capacity to earn more foreign exchange through export. In order to obtain more foreign exchange, we must develop production, improve product quality, increase the varieties of designs and specifications of our goods and raise their competitiveness in international markets. We should exploit China's advantage in terms of rich human resources and low labour cost to expand export of products made either of imported materials or of materials supplied by foreign firms themselves. [paragraph continues]

We should promote horizontal economic association and cooperation between industry and foreign trade and between agriculture and foreign trade. We should gradually set up an integrated system for the production of export commodities and develop export-oriented enterprises. These enterprises should be well informed and able to produce strictly according to the demand of international markets, so as to lay a solid foundation for the steady and sustained growth of our foreign trade. In order to adapt ourselves to changes on the world market, we should further readjust the mix of export commodities and rapidly increase the export of manufactured goods, particularly intensively and finely processed products of textiles and other light industries as well as electronic and machinery industries. We should try to develop various forms of cooperation and association devoted to production of export commodities and related operations, do a better job of building networks of sales services and further exploit the world market. Special economic zones and open cities and regions along the coast should gradually build an economic structure oriented to the rest of the world, so that they can turn to full account their favorable conditions for expanding production of export goods. To increase economic efficiency in foreign trade, we should reinforce economic accounting, lower the cost of exports. While increasing exports to earn more foreign exchange, we should also expand our tourist industry, undertake more contracted projects abroad and provide more cooperative labor services to other countries, all of which will become important means of earning foreign exchange. We should not only export more goods for more foreign exchange but also use foreign exchange more rationally and economically. We should work to balance foreign exchange receipts and payments and use our limited foreign exchange where it is most needed and where it can be best used to develop our economy. We should put a stop to unnecessary imports and rely on ourselves for those products that we can manufacture ourselves and that are in adequate supply. We should expand production of import substitutes and increase the proportion of goods produced by our own country. We should sum up our experience and work out a program for overall reform of the foreign-trade system that will enable us to have a unified approach to trade relations with foreign countries and to bring all positive factors into play. This program should be put into effect in a planned way and step by step, so as to create favorable conditions for further expanding China's foreign economic relations and trade.

IV. Consolidate and Develop Political Stability and Unity

Our construction, reform and open policy must never be divorced from political stability and unity. The central task in the political-ideological sphere at present is to conduct widespread, deep-going education in the necessity of adhering to the four cardinal principles, to oppose bourgeois liberalization and to redouble our efforts to build a socialist society that is culturally and ideologically advanced. This is necessary to consolidate and develop political stability and unity and to provide a basic guarantee for the sound, smooth progress of construction, reform and the implementation of our open policy.

Adhering to the four cardinal principles -- that is, keeping to the socialist road, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party and upholding Marxism-Leninism and Mao Zedong Thought -- provides the common political basis for the unity and concerted struggle of the people of all our nationalities. Written into the Constitution of the People's Republic of China, these principles form the cornerstone of our state and the cardinal guideline for its administration. In essence, exponents of bourgeois liberalization are opposed to the four cardinal principles; they are trying to break away from the leadership of the Communist Party and to negate the socialist system in favor of capitalism. Over a period of time, leadership in the ideological field became weak and lax. We failed to pay close attention and give adequate support to the dissemination of Marxism and even took a laissez-faire attitude towards bourgeois liberalization.

The erroneous ideological trend of bourgeois liberalization, which goes against the law of historical development and against the common will of the people, was thus allowed to grow and spread. This has created ideological confusion among some people, deceived a number of young people who lack a knowledge of history and practical experience, impaired political stability and unity and interfered with our construction, reform and opening to the outside world. The disturbances that were stirred up by a small number of students and that spread to a number of cities toward the end of last year were basically the result of widespread bourgeois liberalization, even though the immediate causes varied from place to place and from school to school. If bourgeois liberalization were allowed to spread unchecked, it would adversely affect even more people -- especially that part of the young people -- who would then lose their bearings, and it would plunge our country into turmoil and make it impossible for us to proceed with our normal construction and reform programmes. That is why we hold that the struggle against bourgeois liberalization has an important bearing on the success or failure of China's socialist modernization and on the future and destiny of our country. We must take a firm, clear-cut stand in relation to this struggle and never hesitate or waver.

After several months of work since the end of last year, we have curbed bourgeois liberalization, which was once quite widespread. But immense efforts must be made to eliminate the pernicious influence of this wrong ideological trend. At present we must concentrate on the following tasks: 1) Continue to criticize intensively the erroneous ideas of bourgeois liberalization. 2) Seriously carry out education in the four cardinal principles by using positive examples. 3) Further consolidate, replenish and strengthen our forces in the mass media. 4) Substantially reinforce and improve ideological-political work in different spheres, especially in schools. 5) Devote greater efforts to the building of our Marxist theoretical contingent. We should also go on making in-depth investigations and studies and constantly sum up experience in order to guide this struggle more satisfactorily.

The ultimate purpose of the struggle against bourgeois liberalization is to unite more closely the people of all our nationalities throughout the country, and, on the basis of adherence to the four cardinal principles, to better carry out the all-round reform and the open policy so that we can build socialism with Chinese characteristics more effectively. The line that has been in force since the 3d Plenary Session of the 11th Central Committee of the Chinese Communist Party has two essential points. One is adherence to the four cardinal principles and the other is implementation of the policies of reform, opening to the outside world and invigorating the domestic economy. If we did not adhere to the four cardinal principles, political stability and unity would be disrupted and the reform and open policy would be deprived of their basic political guarantee and might even go astray. If reform and the open policy were not carried out, socialism would come to a standstill and become ossified, and it would be impossible to fully develop the productive forces and, consequently, impossible to truly uphold the four cardinal principles in practice. Adherence to these principles and implementation of the policies of reform, opening to the outside world and invigorating the domestic economy are not mutually exclusive; they complement and penetrate each other, forming an integral whole. The purpose of our emphasis on adhering to the four cardinal principles and opposing bourgeois liberalization is precisely to implement comprehensively and accurately the line we have been pursuing since the 3d Plenary Session of the 11th Central Committee; it cannot -- and it absolutely will not -- detract from our reform and open policy. We must take note of the fact that some people favouring reform and the open policy are not clear-headed enough, and that others who stress adherence to the four cardinal principles are not mentally emancipated enough. [paragraph continues].

This is a question of understanding. There are some people who have not yet acquired a comprehensive understanding of the line being implemented since the Third Plenary Session of the Eleventh Central Committee. But we believe that when their ability to distinguish right from wrong has been enhanced through criticism of the ideological trend of bourgeois liberalization, and when they are encouraged by the increasingly obvious achievements scored in the reform and in opening to the outside world, they will raise their understanding of the question in practice, more conscientiously uphold the four cardinal principles and the policies of reform and opening to the outside world and join the struggle with a stronger will to build socialism with Chinese characteristics.

Combating bourgeois liberalization is a difficult, complicated and long-term struggle. It demands, on the one hand, that we take a clear-cut stand and do not give up halfway and, on the other, that we apply correct policies and methods and throughout the struggle convince people by reasoning things out. We must learn from our previous experience and refrain from launching another political campaign or repeating the "left" mistakes of the past. In the last few months the Central Committee has adopted and made known a series of correct principles and policies in this struggle, which can be summed up as follows: The struggle against bourgeois liberalization will be strictly confined within the Chinese Communist Party and conducted chiefly in the political-ideological domain. It will emphasize solving the problems of basic political principles and orientation and will not concern itself with policies of economic reform, rural policies, scientific and technological research, exploration of literary and artistic styles and techniques, or the everyday life of the people. It will not be conducted in rural areas, and in enterprises and institutions there will only be education by positive examples. No attempt will be made to ferret out exponents of bourgeois liberalization at various levels, to implicate people at higher or lower levels or to have everybody make self-criticisms. We shall adhere to the principle of uniting with the overwhelming majority of people and draw a strict line of demarcation between the tiny handful who are wedded to bourgeois liberalization and have all along been opposed to the four cardinal principles on the one hand and, on the other, people who hold certain views characteristic of bourgeois liberalization but who do not stubbornly cling to their own opinions and who respect discipline. We shall draw a strict line of demarcation between non-Marxist academic views, writings containing ordinary mistakes, and faults in academic exploration on the one hand and bourgeois liberalization on the other. Differing ideas on academic theories and on culture and art are to be approached through continued, normal and free discussion, criticism and counter-criticism, in accordance with the relevant provisions of the Constitution. We should use discretion in handling matters concerning people. As far as those who have made the mistake of bourgeois liberalization are concerned, we should help them through serious criticism and give them adequate time to ponder over the problem; their self-criticisms are welcome. As for people who have made erroneous viewpoints or written erroneous articles under the influence of bourgeois liberalization, the main thing is to encourage them to increase their understanding through study and practice. Even when a few individuals who stubbornly cling to bourgeois liberalization are dismissed from their leading posts, they should be assigned suitable jobs so as to turn their professional skills to good account and enable them to bring their role into full play.

Practice has shown that the above principles and policies have effectively guaranteed the sound progress of the struggle, and we must continue to carry them out unswervingly in the future. Here, let me emphasize it again: In the whole process of the struggle against bourgeois liberalization, no change will be made in our overall policy of concentrating on the development of the productive forces with a view to the modernization of our economy and of redoubling our efforts to build a socialist society that is advanced materially, culturally and ideologically.

No change will be made in the policies of implementing all-round reform and opening to the outside world. No change will be made in the various current policies for the rural and urban areas. No change will be made in the principles and policies of consolidating and developing the patriotic united front. No change will be made in the policy of continuing to "let a hundred flowers blossom and a hundred schools of thought contend." No change will be made in the policy on respecting knowledge and trained personnel and of bringing into full play the talents of intellectuals. Not only will there be no changes in all these principles and policies, but they will be adhered to more accurately, more effectively and for a long time to come.

It is our consistent strategic principle and also a major objective of our fight against bourgeois liberalization to unceasingly promote the cultural and ideological advance of our socialist society. Governments at all levels should adopt effective policies and measures and try to raise the whole nation's ideological and moral level as well as its scientific and cultural levels, so as to provide a powerful driving force and intellectual support for our modernization and all-round reform. In our efforts to achieve cultural and ethical progress, we should strengthen and improve ideological-political work. We have a fine tradition of attaching great importance to this work, which furnishes a powerful guarantee for the success of all our other work. We must strengthen, rather than weaken, our ideological-political work to meet the needs of new developments in reform, opening to the outside world and invigorating the economy in the new historical period. For such work to be strengthened, however, it must be improved. Otherwise, it will be difficult to achieve the goal strengthening such work. This is a new area which our enterprises, schools, institutions, Army units and all fields of endeavor must strive to explore. We should take a clear-cut stand, disseminating the four cardinal principles with perfect assurance, and we should explain to the people the domestic and international situation and the principles and policies of the party and state. But we must always use the method of presenting facts and reasoning things out, the method of patient persuasion. We must stress effectiveness instead of formalism and guard against doing things in a crude, over-simplified way. We should educate the masses in the common ideal of socialist modernization, raise their morale and mobilize them to devote themselves enthusiastically to national construction and reform. All types of schools at different levels, especially colleges and universities, which are charged with the glorious mission of educating people and moulding their mental world, should do more to strengthen and improve ideological-political work. They should continue to combine theory with practice, reform the content and methods of instruction, provide convenient conditions for the teachers to familiarize themselves with the actual situation and encourage the students to take part in social practice, in a guided and well organized way, in order to broaden their vision and enrich their practical knowledge. All levels of government should concern themselves with educational work, support it and make a sustained effort to create better working and living conditions for teachers. The schools' administrative work and their services relating to the everyday life of teachers and students should be improved. We must fully carry out the educational policy of the state and do everything possible to enhance the qualities of the educated and bring up one new socialist generation after another with high ideals, moral integrity, a good general education and a sense of discipline.

In building a socialist society with an advanced culture and ideology, we must bend every effort to make our various cultural undertakings develop and flourish. In the light of their specific characteristics, newspapers, periodicals dealing with current events, radio, television and other mass media led by the party and government should comprehensively and correctly publicize the principles and policies of the party and government, and fully reflect the innovative spirit of the people in making contributions and working hard in unity. [paragraph continues]

They should reflect and publish through different channels the suggestions, opinions and responsible criticisms of people in all walks of life on the work of the party and government. They should provide the people and the party and government with accurate, up-to-date information, correctly guide public opinion and offer the readers good nourishment for the mind. Thriving literature and art are indispensable to the moral development of the people and the enrichment of their cultural life. We hope that our writers and artists should heed the voice of the masses, be aware of the demands of practical life and immerse themselves in the activities of the people. In this way they will be able to mirror our age, to create more high-quality works embodying our socialist culture and ethics and thus to better serve the people and socialism. We should further develop publishing, restructure the system of publication and distribution and produce more and better books for the people. All levels of government should promote mass cultural undertakings, such as libraries, cultural centers and stations, museums, exhibition halls, cinemas and theaters, and incorporate this work into their respective programs for economic and social development, advancing it step by step under proper guidance. The Marxist stand, viewpoint and method should be used in social science research, and researchers should creatively study the new conditions, experiences and problems that arise in our socialist modernization and all-round reform, explore the laws for building socialism with Chinese characteristics and expand the scientific theories of Marxism on the basis of varied social practice. So far as literature, art and academic research are concerned, in conformity with the provisions of the Constitution we should continue to advocate freedom in creative and academic work and free exchange of views, criticism and counter-criticism, and to encourage innovative practice and daring exploration. While persisting in our policy of opening to the outside world, we must promote socialist culture and ideology and carefully assimilate all foreign ideological and cultural accomplishments that are useful to us. At the same time, we must make a scientific Marxist analysis and appraisal of the philosophical and social science theories of the Western bourgeoisie and its trends of thought on literature and art. We must not unthinkingly praise these Western things, still less regard the decadent capitalist values and outlook on life as "new ideas" and disseminate them as such. Otherwise, they will contaminate and corrupt people's minds. It is also necessary, of course, to improve management of those cultural undertakings whose main task is to produce and disseminate intellectual products; they should work for greater economic returns while consistently taking social effect as the highest criterion. The state will continue the policy of giving moral encouragement and material rewards to those units that make important contributions to the building of a socialist society with an advanced culture and ideology and to the development of cultural undertakings; to excellent creative works and research findings; and to ideological and cultural workers who achieve outstanding successes.

A high level of socialist democracy with Chinese characteristics has always been our consistent objective. We oppose the erroneous tendency of idealizing bourgeois "freedom" and "democracy," and we do not advocate "mass democracy" precisely because we wish to better promote socialist democracy. We must proceed from China's realities and adopt practical measures to steadily develop, in a guided and planned way, democracy in the political, economic and social life of our country and, in particular, to enliven democratic activities in grass-roots units and perfect their democratic administration. This must all be done if we are to turn the initiative and creativity of the masses to the best account for socialism. At present, leading government departments at all levels and their leading personnel should take the initiative in opening up channels for regular dialogue with the masses. They should explain to them in good time the principles and policies, the achievements in construction and reform and the plans for future work, as well as the difficulties and problems that have cropped up. [paragraph continues]

At the same time they should carefully listen to the opinions of the masses, accept their correct criticisms and rational suggestions and strive to overcome bureaucratism, improve work style and increase efficiency so that they can serve the people more effectively and with greater dedication. Through dialogue, we can exchange ideas know each other better, resolve any possible misunderstandings and thus establish and develop, under socialist conditions, a new type of relations among the people, relations based on democracy, solidarity, mutual assistance and a common desire for progress. This is an important task in the development of democratic politics. All levels of government should place themselves under the supervision of the People's Congress and its Standing Committee. While improving the exercise of supervision over government work through administrative channels, we should also make full use of the supervisory role of the People's Political Consultative Conference and the democratic parties, and of the trade unions, the Communist Youth League, the women's federations and other mass organizations as well as of public opinion. Under no circumstances is it permissible to stifle democracy on the pretext of opposing bourgeois liberalization or to suppress or resist justified criticisms of shortcomings and mistakes in our practical work.

As a state system of a new type, socialist democracy is still far from perfect; it requires a long, gradual process of maturing. While upholding the leadership of the China Communist Party, keeping to the socialist road and consolidating and developing political stability and unity, we must progressively improve socialist democracy by reforming the political structure from top to bottom in an orderly way. We are now making thorough and systematic investigations and studies and will, on this basis, formulate a feasible plan for reform, suited to China's circumstances. This plan will define the principles, content, priorities and steps relating to political restructuring. Its implementation, we hope, will meet the requirements of the deep-going economic reform and of the program of socialist modernization.

Ours being a multi-national country, it is of great importance to steadily strengthen the great unity of all our people. We must carry out among cadres and the rank and file intensive education in the Marxist outlook on the nationalities question and in policies towards them and unity among them, and constantly foster the growth of a new, socialist type of relations among them all. Government departments and the economically developed localities should give more support and aid to regions inhabited by minority nationalities and accelerate economic and cultural development there. We should carry out to the letter the "Law of the People's Republic of China on National Regional Autonomy," so that our system of regional autonomy will be continually improved. Through widespread and deep-going propaganda and education, we should carry forward the patriotic spirit based on love for the motherland and readiness to strive for the country's regeneration, and we should work hard with compatriots of all our nationalities to hasten China's reunification and to build socialism with Chinese characteristics.

Socialist legality is a guarantee of socialist democracy and of socialist material, cultural and ideological progress. We should steadily perfect the socialist legal system and see to it the laws are observed and strictly enforced and that law-breakers are brought to book, our firm principle being that all are equal before the law. Thus we shall be able to ensure the sound progress of our all-round reform and other work, China's long-term political stability and the inviolability of its citizens' legitimate rights and interests. All government personnel must further develop their sense of legality and awareness of law and set an example by observing and enforcing laws. As for the work of propagating knowledge of the law among all citizens, we should carefully sum up our experience of it and provide better guidance, so that it will be carried on in a more down-to-earth and effective way. [paragraph continues]

All localities, departments and units should conscientiously study and carry out the "Decision on Strengthening Education in Legality and on Upholding Stability and Unity" recently adopted by the Standing Committee of the National People's Congress. Personnel of public security and judicial departments and all the people's police should continue to improve their political and professional qualities and raise the standard of their professional ethics, being honest in the performance of their duties, strictly enforcing the law, taking initiative and behaving civilly. In this way they will form a fine style of work and establish closer ties with the people. In accordance with the law, we should continue to crack down on all hostile elements who sabotage our socialist system, punish all criminals, including those guilty of economic crimes, and put a stop to all activities which disrupt public order. We should mediate civil disputes, handle other contradictions among the people properly and promptly and take comprehensive measures to improve public security and ensure social tranquility.

Fellow deputies, China's socialist modernization is a great cause which calls for the tenacious efforts of several generations and requires a stable international environment of enduring peace. Although the present international situation is very complicated and the factor of war still exists, the forces of peace have been growing, and through the joint efforts of the world's people it is entirely possible to attain world peace. China consistently pursues an independent foreign policy of peace, opposes hegemonism and safeguards world peace, all of which has enjoyed the approval of more and more people in the world. In 1986 we scored a series of fresh achievements in our foreign relations. The friendly relations and cooperation between China and other countries have been steadily consolidated and expanded. China has won widespread acclaim throughout the world for its unremitting efforts to maintain peace, bring about disarmament and promote cooperation and development in the world. As an important force for peace, our country has drawn increasing attention from the community of nations. Maintaining independence, China will not enter into alliance with the superpowers, and it will endeavour to establish and expand friendly relations and cooperation with all countries on the basis of the five principles of peaceful coexistence. This policy is necessary to enable China to reach its ambitious goal of economic invigoration, but it also furnishes a powerful contribution to the cause of world peace and development; it is therefore entirely in conformity with the fundamental interests not only of the Chinese people but also of the people of the rest of the world. Whatever problems we may meet in our advance, and whatever changes there may be in the international situation, we shall steadfastly follow our independent foreign policy of peace in the years ahead. Our effort to bring about the peaceful reunification of our motherland, in keeping with the concept of "one country, two systems", has won increasing support from the people. The Sino-British agreement on the question of Hong Kong is being smoothly put into effect and our country will continue to implement the series of general and specific policies relating to Hong Kong which have been written into that agreement. The Sino-Portuguese negotiations on the question of Macao have been successfully concluded and tomorrow the delegations of the two governments will initial an agreement. The settlement of the question of Macao is another example of the successful application of the principle of "one country, two systems" to the problem of reunifying the motherland. It represents a major advance towards the ultimate goal of complete reunification. The principle of "peaceful reunification" and "one country, two systems" is also a fair and reasonable one for settling the Taiwan question, and it has been understood as such by a growing number of our Taiwan compatriots. We sincerely hope that they will continue to enhance their patriotic spirit and contribute all they can to the reunification of our motherland. We also hope that our compatriots in Hong Kong and Macao and Chinese citizens abroad will continue to serve as a bridge linking people from all walks of life on both sides of the Taiwan Straits. It is also our hope that the Kuomintang authorities in Taiwan will put the interests of the country and of the nation above everything else and take practical measures to further the great cause of China's peaceful reunification.

To sum up, the current domestic and international situation is favorable both to our construction work and to the reform. It is our unshakable resolve, under the leadership of the Chinese Communist Party, to constantly cement the great unity of the people of our many nationalities, to steadily enhance our friendship and cooperation with other countries and peoples around the world, to advance the great cause of building socialism with Chinese characteristics and to work for the peaceful reunification of our motherland. No force or interference can stop our advance. We are full of hope for the future of our country, and of confidence that victories lie ahead.

NPC ARGUMENTS OVER DRAFT OF VILLAGERS' LAW NOTED

HK120430 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1543 GMT 11 Apr 87

[Article by Gong Miao (1712 8693): "Reform of Political Structure, Autonomy for Peasants -- NPC Deputies Argue Over Draft of Villagers' Law"]

[Text] The NPC passed the "Organic Law for Villagers' Committees (Draft)" on the afternoon of 11 April.

Statistics show, that more than 940,000 villagers' committees have been founded in Mainland China to date, to replace the original brigades characterized by the integration of government administration and economic management. The draft in question was originally called "Organizational Regulations for the Villagers' Committee." Later, it was changed to the present name because of the vast territory of China and its complicated conditions, and the difficulties involved in drawing up every specific regulation.

It has been learned that diametrically opposed views and arguments emerged among the deputies while discussing the draft regarding the nature of the villagers' committees, whether they should be an autonomous organization of the peasants or a rural government organ at the grass roots. Therefore, when the draft was put to a vote, it was passed by the overwhelming majority, with 20 objections and 11 abstentions.

The issue in dispute was mainly the nature of the villagers' committees. As defined in the draft, the villagers' committee is a grass-roots autonomous organization of a mass character. Town and township governments should provide guidance, support, and help for the villagers' committees in their work. Quite a few deputies believe this is a significant reform, one that is favorable to pushing ahead the realization of direct democracy in the rural areas boasting a population of 800 million. However, deputies from Guangdong, including Liang Xiang, held the view that if the villagers' committee was not at the level of government organs, by what means could state decrees be implemented? Under such conditions, the villagers' committee might or might not carry out the tasks assigned it based on state decrees, and that would turn town and township governments into a leadership without a following. They suggested that villagers' committees be government organizations under the jurisdiction of town and township governments.

Another issue in dispute was the duties and functions of the villagers' committee. Mei Yi, former advisor to the Academy of Social Sciences of China, opposed the measures of relying on administrative orders in the past, and suggested the implementation of state decrees through guidance and help, to embody genuine democratic autonomy. This is because even with autonomy, the law must be followed, and the obligations of the citizen to the state must be performed. Deputies from Jilin, such as Guan Zhongyu, mentioned that at present some township governments are still controlling excessively and rigidly the production and work of the peasants.

They have even made unified stipulations on what time to sow, to apply manure, and to do the plowing. The peasants strongly object to such practices of coercion and arbitrariness.

The more than 36,000 villagers' committees established in Anhui have scored remarkable accomplishments in maintaining social order, mediating civil disputes, initiating welfare undertakings in their own villages, promoting agriculture, animal husbandry, forestry, fishery, and sideline production, and improving the living standards of the peasants. Wang Mao, an Anhui deputy, believes the villagers' committees should conduct their work in democratic ways. The villagers' committee is a functional organ of the villagers' autonomy, while the villagers' assembly is the power organ. All major issues in the village must be decided upon at the villagers' assembly or the villagers' representative conference, to guarantee the democratic rights of the villagers.

Fu Naiqiu, a Shanghai deputy, and Chen Jianfei from Heilongjiang believe democratic autonomy in the rural areas involves a gradual process. At present, as the villagers' committees have just been founded, they are in a transitional period. The villagers' committee should be an organization of the villagers with autonomous functions, while assisting the town and township governments to fulfill the tasks assigned by the state. Therefore, it should also possess administrative functions.

STATE COUNCIL STILL HAS 45 MINISTRIES, COMMISSIONS

HK130901 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0943 GMT 12 Apr 87

[Text] According to reports from Beijing, the current State Council still comprises 45 ministries and commissions, although since 1983, when the First Session of the Sixth NPC decided that the State Council should consist of 45 ministries and commissions, a State Education Commission, a State Machine-Building Industry Commission, and a Ministry of Supervision have been established, and the original Ministry of Machine-Building Industry, Ministry of Ordnance Industry, and Ministry of Education have been accordingly abolished. Apart from 16 ministries and commissions still headed by their original ministers, new ministers have been appointed to head the remaining 28 ministries and commissions, while the minister of supervision has still not been appointed.

The ministers of 13 ministries remain unchanged, namely, the Ministries of Foreign Affairs; National Defense; Finance; Civil Affairs; Justice; Commerce; Electric Power; Agriculture, Animal Husbandry, and Fishery; Forestry; Aviation Industry; Nuclear Industry; Chemical Industry; and Textile Industry. The ministers are Wu Xueqian, Zhang Aiping, Wang Bingqian, Cui Naifu, Zhou Yu, Liu Yi, Qian Zhengying, He Kang, Yang Zhong, Mo Wenxiang, Jiang Xinxiong, Zin Zhongda, and Wu Wenying. Meanwhile, Song Ping, Li Menghua, and Mu Qing still hold the posts of minister of the State Planning Commission, minister of the State Physical Culture and Sports Commission, and director of the XINHUA NEWS AGENCY respectively.

The State Restructuring of the Economic System Commission, the State Economic Commission, the State Science and Technology Commission, the National Defense Science, Technology, and Industry Commission, the State Nationalities Affairs Commission, and the State Family Planning Commission have had their ministers changed; that is, Zhao Ziyang has been replaced by Li Tieying, Zhang Jingfu by Lu Dong, Fang Yi by Song Jian, Chen Bin by Ding Henggao, Yang Jingren by Ismail Amat, and Qian Xinhong by Wang Wei.

Vice Premier Li Peng holds concurrently the post of minister of the State Education Commission, while the original minister of education, He Dongchang, has been appointed vice minister of the State Education Commission.

Zhou Jiahua has been appointed minister of the State Machine-Building Industry Commission, while the original minister of machine-building industry, Zhou Jiannan, and the original minister of ordnance industry, Yu Yiyi, have been discharged.

Eighteen ministries, namely, the Ministries of Public Security; State Security; Foreign Economic Relations and Trade; Urban and Rural Construction and Environmental Protection; Metallurgical Industry; Electronics Industry; Coal Industry; Petroleum Industry; Geology and Mineral Resources; Astronautics Industry; Light Industry; Railways; Communications; Posts and Telecommunications; Public Health; Culture; Radio, Cinema, and Television; and Labor and Personnel, have had their ministers changed, while new appointments have also been made to the posts of president of the People's Bank of China and auditor general of the Auditing Administration. The present ministers of the above 18 ministries are: Wang Fang, Jia Chunwang, Zheng Tuobin, Ye Rutang, Qi Yuanjing, Li Tieying, Yu Hongen, Wang Tao, Zhu Xun, Li Xue, Zeng Xianlin, Ding Guangneng, Qian Yongchang, Yang Taifang, Chen Minzhang, Wang Meng, Ai Zhisheng, and Zhao Dongwan. State Councillor Chen Muhua is holding concurrently the post of president of the People's Bank of China, while Lu Peijian has been appointed auditor general of the Auditing Administration.

COMMENTATOR URGES STUDY OF DENG'S WORKS

HK130525 Beijing GUANGMING RIBAO in Chinese 2 Apr 87 p 1

[Commentator's article: "Seriously Organize Proper Study of the Two Books"]

[Text] Comrade Deng Xiaoping's "Building Socialism With Chinese Characteristics" (Enlarged Edition), and "Adhere to the Four Cardinal Principles and Oppose Bourgeois Liberalization -- A Collection of Excerpts From Important Documents Since the 3d Plenary Session of the 11th CPC Central Committee" have come off the press. The CPC Central Committee Propaganda Department has issued a circular on organizing cadres at all levels to study these two books, requiring that they be regarded as basic teaching materials in political and theoretical studies for cadres at all levels in 1987, in order to push forward the development of resolute, healthy, and protracted struggle to oppose bourgeois liberalization, as well as the development of reform, opening up, and socialist modernization.

These two books devote all-round discussions to the basic contents of the line for building socialism with Chinese characteristics, and systematically expound party principles and policies on a series of major issues. They are the summing up of the experiences of socialist modernization in China as well as the application to, and development of, basic Marxist tenets since the 3d Plenary Session of the 11th CPC Central Committee. They are very rich in content and profound in ideas. Although many of our cadres have read and studied them, or at least listened to the relay of most of the discussions, some comrades may not be deeply impressed, and have even forgotten them. Therefore, reviewing them today, we still find them fresh, profound, rich in enlightenment, appropriate, and of guiding significance. This shows that many comrades failed to study, or to have a profound enough grasp of them in the past; and more eloquent are the scientific and realistic values of these discussions, and the need to review them in earnest. [paragraph continues]

The basic requirements for studying these two books are precisely an all-round and correct grasp of the party line since the 3d Plenary Session of the 11th CPC Central Committee, and a mastery of the two essential points, namely, adherence to the four cardinal principles and adherence to reform, opening up, and enlivening the domestic economy. Adherence to the four cardinal principles is the basis of all domestic and foreign policies. Only by adhering to them and opposing bourgeois liberalization will it be possible to guarantee the correct direction of reform, opening up, and enlivening the domestic economy. Only by adhering to reform, opening up, and enlivening the domestic economy, will it be possible to develop social productivity quickly, and to speak of building socialism with Chinese characteristics.

We should see that for some time past, the ideological and theoretical field was rather weak and confused, and the ideological trend of bourgeois liberalization spread widely. One of the causes attributing to this lies precisely in the fact that some cadres, including some leading and party member cadres, who are engaged in all kinds of ideological and cultural work, including academic research, literature and art creation, and the media and publishing, have long neglected the study of Marxism-Leninism and the works of Mao Zedong, as well as the party line, principles, and policies. Back in 1981, Comrade Deng Xiaoping pointed out: "At present, some people merely touch upon the phenomena of things in their speeches, and their lack of a solid foundation in both theory and practice is accounted for by this. Only by laying a good foundation will it be possible to genuinely correct one's mistakes, including the correction of 'leftist' errors and those originating from 'rightist' tendencies." Therefore, all cadres and party members should regard these two books seriously, and earnestly correct their neglect in political and theoretical studies, including the tendency to neglect study of the party line, principles, and policies. Party organizations at all levels should earnestly do a good job in grasping the current study as an important content in the ideological and theoretical building of the whole party.

Linking theory with practice has always been the requirement and principle for our study. In studying these two books, it is necessary to link them with the study of basic Marxist tenets and with summing up our work over the past few years, the experiences and lessons in ideological and theoretical field work in particular. Building socialism with Chinese characteristics is a great and original undertaking. We are confronted with many new conditions and new problems in every aspect, and we have both experiences and lessons in our work. Now that we have covered some distance on our way, it is very necessary for us to further understand how our party has linked basic Marxist tenets with the realities of China's construction; to have a grasp of the profound meaning of party principles during different periods; to clarify the rights and wrongs of matters of principle; to raise our ideological understanding; and to have a clear idea of our orientation from now on. In this way, we are enabled to adhere to the four cardinal principles, to adhere to reform, opening up, and enlivening the domestic economy, and to resolutely continue our progress along the road opened up by the 3d Plenary Session of the 11th CPC Central Committee with higher self-consciousness and greater confidence.

The key to earnestly doing a good job in organizing the study of these two books lies in leadership at all levels attaching great importance to this work and playing an exemplary role in their own study. At present the study tasks are manifold, and it is necessary to make overall arrangements and to draw up specific planning based on the actual conditions. Of all studies, it is necessary to primarily grasp well the study of these two books. [paragraph continues]

In order to coordinate with the positive education presently under way in adhering to the four cardinal principles and the struggle to oppose bourgeois liberalization in the political and ideological field, it is necessary first and foremost. To earnestly organize study of the book "Adhere to the Four Cardinal Principles and Oppose Bourgeois Liberalization" in our arrangements; to have a good grasp of the series of important discussions on this aspect by the Political Bureau Standing Committee collective with Comrade Deng Xiaoping as the representative; to further unify our understanding; to have a clear idea of the nature and far-reaching significance of the current struggle; and to stand at the forefront of the struggle. We should also link the study of the two books with the study of documents from the Fifth Session of the Sixth NPC to guide and push forward all items of work in 1987. We should pay attention to being kept informed of the problems in ideological understanding put forward by cadres and party members, and organize our study and discussions in various effective ways. In our study and discussions, it is necessary to adhere to the principle of persisting in positive education in the main, bringing forward democracy, practicing criticism in the manner of mild breeze and fine drizzle, encouraging frankness in making speeches, and being free to air one's views, so that this may help to genuinely draw distinctions between right and wrong, deepen our understanding, unify ideology, promote unity, and improve our work.

PAPER STRESSES POLITICAL ORIENTATION EDUCATION

HK130753 Beijing GUANGMING RIBAO in Chinese 3 Apr 87 p 1

[Commentator's article: "Institutions of Higher Learning Should Focus Their Attention on Education and Teaching"]

[Text] Institutions of higher learning train talented people for building socialism. It is the basic task of these institutions to train qualified personnel with socialist ability and political integrity. For this reason, all work in these institutions should be focused on improving the quality of teaching and training qualified personnel. This should also be the yardstick in examining and assessing all work by institutions of higher learning.

To meet the needs of economic development, institutions of higher learning have recently gone in for building schools, expanding campuses, and offering new courses under the situation of reform, opening up, and economic invigoration and have achieved successes. All this is necessary. With the increase in quantity, however, the conditions for running schools, teaching facilities, and a shortage of teachers have affected the quality of teaching. This merits attention. Hence, institutions of higher learning should focus their attention on improving the quality of teaching and training qualified personnel. The ultimate purpose of increasing the number of schools is, after all, to serve the general objective of training qualified personnel. This is an important question to be resolved in the guiding ideology for running institutions of higher learning.

Who, then, are qualified personnel? Is there a criterion for judging qualified personnel? Yes, there is. Generally speaking, we should enable students to develop morally, intellectually, physically, and aesthetically as well as teaching them practical skills so that they can become people with "lofty aspirations, morality, better education, and a sense of discipline." University and college students should have a firm and correct political orientation, solid scientific and general knowledge, and the ability to put their knowledge into practice. They should be physically strong and possess aesthetic judgment so as to contribute more to the country's modernization.

It should be particularly stressed that fostering a firm and correct political orientation among students should be a primary task of educational work. A correct political orientation means upholding the four cardinal principles in which upholding party leadership and the socialist road are the core. During the time when bourgeois liberalization ran wild not long ago, some students were unable to distinguish between socialism and capitalism, Yanan and Xian. Consequently, a handful of students in some cities launched demonstrations which affected stability and unity in society and teaching in schools. Our negligence in conducting education in the four cardinal principles among students over the past few years resulted in a handful of students wavering in the fundamental question of political orientation. This was a grave lesson. Whether a correct political orientation can be fostered or not is an important question directly related to the road chosen by any person. Only by fostering a correct political orientation can university and college students study hard in schools for the modernization program of the motherland and make contributions to the country's modernization in the future. If a youth cannot foster a correct political orientation in the course of his growth, he will lose his bearings in the future. Even though he has a good education, it will be difficult for him to be a useful man to the state. He may be a person looking after his own immediate interests, caring nothing for the general interests. How can such people carry forward the revolutionary cause and make the country thriving and prosperous?

On the major premise of fostering a correct political orientation, the main task of students in schools is to master the skills for building the four modernizations. Comrade Deng Xiaoping pointed out explicitly: "Schools should always attach first importance to a firm and correct political orientation, but this does not mean that they should devote a great many classroom hours to ideological and political teaching. Students must indeed give top priority to a firm and correct political orientation, but that by no means implies that they should abandon their studies of the sciences, social sciences, and humanities. On the contrary, the higher the students' political consciousness, the more consciously and diligently they will apply themselves to the study of these subjects for the sake of revolution." ("Selected Works of Deng Xiaoping," p 101) Naturally, such study should include studying from society, practice, and the masses rather than being confined to book knowledge alone. To study from practice can help a person adopt a correct stand, viewpoint, and method to observe society. In addition, it is also necessary for acquiring professional knowledge. The method of learning from society should run through the entire course of teaching in schools. Regarding the guiding ideology for running schools, leadership of the institutions of higher learning should uphold the principle of catering to practice, namely, by catering to the practice of socialist construction. First, the size of schools, faculties, courses, and training targets should be determined according to the actual needs of political, economic, and cultural building. Measures should be taken to prevent the tendency of deviating from the practice of socialist construction in training people. Second, in light of the nature and characteristics of different specialities, various forms should be adopted to promote integration of teaching with scientific research and social practice. Meanwhile, the good style of study by integrating theory with practice should be carried forward in teaching. Third, various forms should be adopted to enable students to take part in social practice, understand the conditions of the state and people, know the arduousness of building and administering the country, choose the correct road of advance, and increase their practical ability. If we deviate from practice, it will be very difficult to train the qualified personnel needed for the modernization program.

Viewed from the principal aspects, the guiding ideology for running institutions of higher learning should be: Continue to uphold the policy of reform, opening up, and economic invigoration and ensure education is geared to modernization, the world, and the future; uphold the four cardinal principles and put a firm and correct political orientation in first place. A problem that should be solved at present is the focusing of our attention on education and teaching rather than on the quantity and sizes of schools. In light of the actual needs, we should enable students to develop in an all-round way and train qualified personnel who have real ability.

SCIENCE ACADEMY PRESIDENT EXPLAINS RESIGNATION

HK130619 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0865 GMT 10 Apr 87

[Text] Beijing, 10 Apr (ZHONGGUO XINWEN SHE) -- The living room seemed to be quiet in the spring evening. Lu Jiaxi, former president of the Chinese Academy of Sciences who had just returned home from visiting some foreign countries, looked tired after a day of meetings. Nevertheless, he warmly received this reporter.

He told this reporter that he had been invited to make an academic tour of Britain, Belgium, and the Federal Republic of Germany. As a Standing Committee member of the CPPCC, he had returned home to attend the session which was drawing to an end.

Lu Jiaxi said that his resignation was a topic of much discussion in public. He explained to foreign friends when they asked about the matter during his visit to Western Europe.

Lu Jiaxi was elected president of the Chinese Academy of Sciences in May 1981. As he realized that he was advanced in age and physically weakened 2 years ago, he wanted to withdraw and give more opportunity to young and middle-aged able people. As a result, he submitted his resignation to the central authority leading organs concerned. He said that his resignation was not approved until late January this year. It so happened that the change of leadership at the Chinese Academy of Sciences coincided with the student demonstrations in China. In addition to the reshuffling of the Chinese Academy of Sciences leading body by the central authorities, the derogatory terms used by English radio on the normal personnel change gave rise to various comments abroad. By explaining the matter to foreign friends during his recent visit to Europe, he said, they all realized that it was but a normal personnel change.

This 71-year-old expert in physical chemistry is noted for his meticulous scholarship. I am a scientist, he said, I do everything according to the laws of science. He was used to making a 3-point summarization of complicated matters. While he was in charge of the academy, he put forward the following principles: Keep in view the four modernizations, the world, and the future; and base on reform, competition, and blazing new trails. With support from his colleagues, his proposal played an important role in improving leadership and promoting scientific research.

When he was appointed 6 years ago, some people asked him with concern: "After becoming a scientific officer, will you still be a scientist?" Lu Jiaxi replied: "I will be an officer as well as a scientist. It is still my inherent quality to be a scientist." Over the past few years, he has always attached great importance to scientific research work by the research base at Fujian Material Structure Institute under the Chinese Academy of Sciences. He occasionally gave personal on-the-spot guidance.

Whether he was an officer or a scientist, Lu Jiaxi set strict demands on himself according to Confucian analects which proposed: "I should examine myself three times daily." Lu Jiaxi practiced the code of conduct he set for himself. Old people may still cherish high aspirations. Although Lu Jiaxi's hair turned grey, he was full of revolutionary spirit. He told this reporter that he would do the following three things for the academy while he is still in good health:

First, make organizational preparations for the second meeting of the Third World Academy of Sciences to be held in Beijing this September. As an academician and academy council member, he said it would be a great honor to fulfill his duty to strengthen unity and cooperation among Third World scientists.

Second, take charge of translating "History of China's Science and Technology," a book written by Joseph Lee, a well-known British expert in biochemistry, so that this monumental work can be made available to Chinese readers as quickly as possible.

Third, continue to develop lateral scientific research ties. Some items in this regard are now under progress. As the focus of his work has been shifted to the north in recent years which affected his research to a certain extent in the structure and composition of transition metal atomic compounds and chemical simulation bionitrogen in Fuzhou, he said it is gratifying to see the rapid growth in the number of young and middle-aged scientists at the Fujian Material Structure Institute. They have done outstanding work. Lu was particularly gratified with their scientific research results in laser crystal material which won a worldwide reputation.

PLA CORPORATION IMPROVES ECONOMIC DEVELOPMENT

HK140704 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 8 Apr 87 p 1

[By staff reporter Da Chansong]

[Text] Part of China's Army is marching to a new tune now -- as it takes an increasingly successful role in the country's battle to win a greater share of world trade and improve its economic development.

It is the sound of cash registers rather than bugles which is driving the leaders of the People's Liberation Army's China Xinxing Corporation to make better use of the vast amount of idle or under-used resources which the PLA controlled when its Logistics Department set up the corporation in 1984.

The organization, China's only Army-controlled import and export corporation under the direct leadership of the PLA's Logistics Department, was born strong as the Army authority transferred to it the ownership of more than 3,000 factories, 2,000 farms, 8,000 enterprises including scientific institutes, universities and hospitals.

It also owns dozens of mines and 16 large horse ranches including the largest one in Asia located in Gansu Province occupying 360,000 hectares. About 700,000 workers are engaged in these areas.

Zhang said the corporation was conceived in the early 1980's, when the central leadership was first planning to trim the Army by 1 million soldiers. The corporation, endorsed by the government as an all-purpose trade and production firm, has turned the Army's under utilized property into profitable operations.

Last year, the corporation reached a business volume of more than \$80 million, and expects to surpass \$100 million this year, and Zhang predicts that after 3 or 5 years, business will reach several hundred million dollars to become one of China's top business giants.

The corporation's biggest export items are military products such as spare parts, military apparatus, equipment and appliances, clothing, shoes, tents and cooking utensils. Zhang disclosed the corporation is allowed to keep 100 per cent of the foreign currency earnings to encourage exports of these items. In China, import-export corporations cannot normally retain all foreign currency earned for themselves. When Xinxing trades edible oil and foodstuffs, light industrial goods, medicines and native and animal by-products, metals and minerals, it keeps only 25 per cent of the currency earned.

The exports are all produced by factories affiliated to the corporation rather than by purchasing from local sources. All the currency earned is handed to the Logistics Department, he added.

The corporation handles imports of advanced technology, equipment, construction machinery, medical apparatus and chemical products and raw materials for Army controlled enterprises and units. In addition, the corporation also accepts orders for processing and assembling according to designs and raw materials supplied by the client. It is also making great efforts to develop export of manpower services, joint ventures, compensation trade, coproduction and tourist hotels.

It has so far set up about ten joint ventures in tourist hotels in the cities of Dalian, Xian, Guilin, Hangzhou and Urumqi. Other joint ventures or coproduction projects involving construction materials, marble processing and the breeding of shrimps, pigeons and cattle have either been set up or are under negotiation.

Its main foreign partners are the United States, Japan, West Germany, Singapore, Thailand and Switzerland. Hong Kong is the biggest entrepot trader for the corporation.

The corporation has branches in Dalian, Tianjin, Shanghai, Qingdao, Xiamen, Shenzhen and Hong Kong. It has also 21 agencies nationwide for the collection of export goods. The seven branch corporations, Zhang said, can do business directly with foreign partners but they are under the overall control of the head corporation. This has avoided the price competition which other specialized import-export corporations usually have.

"We are very optimistic about our future. We aim to help ease the demands for military expenditure when we become powerful enough," said Zhang.

Zhang also told BUSINESS WEEKLY that they have great advantages in developing barter trade in the future, for they cover almost all export items. He continued that the comprehensive corporation also has real estate throughout China, and it owns convenient communication and transport networks, infrastructure installations and warehouses and piers which no other trading corporations have available.

In August last year, the corporation held a ten-day exhibition and sales of export commodities in Beijing, with more than 5,000 exhibits and about 1,600 foreign businessmen came. Fifty-eight contracts were signed during the exhibition with a total business volume of \$40.5 million.

CHINA DAILY CARRIES 1986 4TH QUARTER REPORT

HK140738 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 8 Apr 87 p 4

[Text] State 1986 4th Quarter Report

REVENUES AND EXPENDITURES (in 1 billion RMB yuan)

Itemized deposits	538.187
Industrial	264.336
State treasury	31.145
Government departments and institutions	39.597
Urban savings	147.145
Rural savings	55.964
Liabilities to international financial organizations	12.423
Currency in circulation	121.836
Bank reserves	86.165
Carry-over balance	7.937
Miscellaneous	54.049
TOTAL REVENUE	820.597

Itemized loans	759.04
Industrial	164.985
Commercial	356.947
Building industry	36.941
Fixed assets	100.576
Urban collectives and private business	42.554
Agriculture	57.037
Gold transactions	1.204
Foreign currency transactions	7.712
Assets in international financial organizations	10.043
State Treasury Government borrowing	37.005
Miscellaneous	5.593
TOTAL EXPENDITURE	820.597

RURAL CREDIT CO-OPERATIVES SAVINGS AND LOANS (in 1 billion yuan)

Itemized savings	96.234
Farm collectives	8.387
Township industries	9.168
Rural individuals	76.612
Itemized loans	56.851
Miscellaneous	2.067
Farm collectives	4.464
Township industries	26.585
Rural individuals	25.802

EXCHANGE RATE

Items	Oct	Nov	Dec
One SDR in RMB yuan	4.4167	4.4931	4.5417
One U.S. dollar in RMB yuan	3.7221	3.7221	3.7221

RESERVES AND DEBT

Gold reserves (in 10,000 ounces)	1.267	1.267	1.267
Total foreign exchange reserves (in \$1 billion)	9.998	10.484	10.514
Reserve in state treasury	2.116	2.486	12.072
Foreign exchange balance of the Bank of China	7.822	7.998	8.442
State foreign debt (in \$1 billion)	7.1	7.803	7.572

Source: People's Bank of China, April 4, 1987

SHANGHAI JOURNAL DETAILS REFORM STRATEGY CHOICES

HK100730 Shanghai SHIJIE JINGJI DAobao in Chinese 23 Mar 87 pp 12, 13

[Article by Wu Jinglian (0702 2417 8834): "Some Views on the Choice of a Strategy for Reform (Excerpts)"]

[Text] The development of China's economy over the past 3 years shows that economic reform is now at an important juncture. The period in which great energy is released after breaking the trammels of the old system has passed and the storming of heavily fortified positions for establishing a new mechanism is unavoidable. We are faced with a new choice.

First, Whether to Follow the Old Path and Regard "Transferring Power to the Lower Levels" as the Main Task of Reform, or to Focus Our Attention on Readjusting Economic Relations and Establishing a Planned Commodity Economy System [subhead]

Reform in the cities was started after rural reforms were pushed forward by the latter. Meanwhile, since it inherited the traditions of the Soviet Union and other countries in the mid-1950's and adopted two major measures of "non-centralization" and "enhancing material incentives," the work of "streamlining administration and transferring power to the lower levels" and "reducing taxes and retaining more profits" became the main tasks of this reform. At the beginning of the reform these measures played a significant role in smashing the trammels of the old system, mobilizing the enthusiasm of the masses, and promoting the recovery and development of the monetary economy.

However, development later showed that the measure of transferring power to lower levels and letting enterprises retain more profits has many limitations. If power is transferred to lower levels without readjusting economic relations, there cannot be an economic mechanism capable of distributing resources. Without such a mechanism, no economic relations can be developed continuously, steadily, and harmoniously. At the same time, various beneficiary units and persons will naturally vie with one another for more power and more profits, resulting in a situation in which the distribution of benefits is repeatedly readjusting and general demand is increasing. In view of the fact that if we continue to follow this path, our reform may end in failure, some economists proposed that we should stress the readjustment of basic economic relations in the reform to establish a comparatively perfect commodity market and a new economic mechanism.

Shall we continue to follow the old path of transferring power to the lower levels and letting enterprises retain more profits, or shall we change the focus of our work and find a new way out? On this question there have been great differences of opinion.

People who believe that we should continue to transfer power to the lower levels and let enterprises retain more profits base their view on the fact that the enthusiasm of the producers (including both individual and collective producers) is still a basic factor in promoting economic development and raising economic returns. Under China's concrete conditions, provided we mobilize the enthusiasm of enterprises and workers by "giving them more power and benefits," all economic problems will surely be solved. [paragraph continues]

As a matter of fact, this theory, generally speaking, is only suitable for an economy with a relatively low degree of socialization, which mainly relies on the ability and enthusiasm of individuals. But in a modern and socialized economy the enthusiasm and initiative of the producers is far from sufficient. Economic returns and economic development are determined by the effective distribution and allocation of limited natural resources. Only when we have an economic system that is capable of correctly distributing and allocating natural resources can we ensure the normal development of a modern economy.

To this day, only two methods have been created in human society to distribute and allocate natural resources: 1) To distribute and allocate them through predetermined plans; and 2) to do so through the market. The method of distributing and allocating natural resources through the market mechanism can be regarded as an organic combination of the above-mentioned two methods. In a traditional socialist economy natural resources are distributed and allocated through a strict system of mandatory plans. This method is applicable to some extent. However, due to the defects in its impetus and information structures it cannot avoid making errors in appropriate distribution and allocation of resources. As a result, the entire socialist economy is in a state of low efficiency. For this reason, all socialist countries need to carry out economic reforms so that they can get on the right track of development to distribute and allocate resources through the regulative market mechanism. However, this market mechanism is not a disorganized combination of separate things, but an organic system composed of three major factors: independent commodity producers, the competitive market coordinating the conduct of commodity producers, and the regulation of the market, which is done by the state in light of our socialist target. This system cannot be established merely by giving enterprises more power and more profits.

Second, Reform Method Choices: Whether To Carry Out the Reform Blindly Without General Planning and Turn Back When Suffering Setbacks, or To Work Out a General Plan and Carry Out the Reform Step By Step [subhead]

Since there has been insufficient theoretical preparation for China's economic reform and since the small peasant society which is largely influential looks down on theories, over a rather long period of time the view that reform cannot and need not to be designed or can be carried out while it is being designed maintained a dominant position. As a result, although the reform seemed to be carried out on a grand and spectacular scale, due to the disharmony of various measures, many problems unavoidably occurred. For example, over the past few years our government adopted a series of measures to expand the decisionmaking power of enterprises. However, under conditions in which prices were seriously distorted and unfair competition existed in the market, enterprises could not really have decisionmaking power in both production and financial affairs. Thus, in order to carry out macrocontrol and avoid conflicts between enterprises, the government had to strengthen its direct interference in the affairs of enterprises and withdraw the decisionmaking power from the latter.

Since the reform as a single aspect has many defects, a new idea of carrying out the reform simultaneously linking three aspects -- enterprises, the market, and the macrocontrol system -- was formed in 1985 at the convention of the national conference of party delegates. Some concrete plans were then worked out according to this idea.

However, some theoretical and practical workers still had doubts about this idea and thought that it was unrealistic.

A reason why they did not agree with this idea is that they thought it was an overly hasty measure. This is actually a misunderstanding. The comrades who proposed to work out a general plan and carry out the reform step by step, and in a harmonious way, had repeatedly explained that since the problems are very complicated, the transition from the old pattern to a new pattern should certainly be completed step by step, and the reforms in various fields should be developed from a lower stage to a higher stage. There are two basic requirements if the reform is to be carried out step by step and in a harmonious way: 1) To ensure that various reforms are carried out in a reasonable order; and 2) to ensure that the reforms are carried out simultaneously at various links. In this way various reform measures will be implemented in a coordinated way and China's reform of the economic structure will be able to develop steadily from the old pattern to a new one.

Another reason why some people did not agree with the idea of working out a general plan and carrying out reform step by step is that they thought that if the reform were carried out in this way it might set a high demand on the close ties between various links. If one link failed the whole situation might also collapse. I think this is also a misunderstanding. Undoubtedly, when working out a general plan for the reform we are unable to foresee everything. But as long as the general plan reflects the basic internal relations of things, it can certainly play a guiding role and ensure that the reform is carried out on the right track. When implementing the plan, if we find any mistakes or deviations we can make certain appropriate adjustments in light of the real situation. Thus, the reform will be carried out in a good order and the target of establishing a system with a planned commodity economy will be attained.

Third, the Choice of Long-term and Intermediate Targets: The Primitive Market Economy or the Planned Commodity Economy [subhead]

The comrade who proposed to work out well-conceived plans for reform and carry out the reform in a harmonious way believes that only through conscientious and systematic action can we establish a system with a modern commodity economy, or a market economy under macromanagement, in a short period of time. Under this economic system, since the market is able to develop normally, there are definite regulations for competition and the state is able to regulate and control the macroeconomy, the vitality of state-owned large and medium-sized enterprises, which are in the leading position, and various small enterprises can also be fully mobilized.

Some other comrades believe that the main problem is not to establish a predetermined order for the reform. Provided we do well in "opening up" and "invigoration," we will naturally be able to bring about a lively situation for a commodity economy. Can we develop a commodity economy in this way? The answer is affirmative. The problem is that this kind of commodity economy can only be a primitive and simple commodity economy, not the modern commodity economy we actually want to establish.

Fourth, National Economic Macromanagement Pattern Choices: To Give Orders to the Economy and Carry Out Administrative Management Level By Level, or To rely on the Domestic Market and To Regulate Based on the Division of Work Among Various Departments and Levels Under the Unified and Centralized Leadership of the Central Authorities [subhead]

On the question of reform there has always been a dispute over the question of "administrative decentralization" and "economic decentralization" over the past 30 years. [paragraph continues]

As early as the 1950's, when people came to realize that the system of centralization which gave orders to the economy had many defects and had to be changed, people just summarized those defects as "overcentralization of power." They did not understand that the key to the solution of this problem was to realize the change from the mandatory economy to the commodity economy. Therefore, it was believed that once decentralization was realized under the original system the problem would be solved. Thus, an idea appeared, advocating the transfer of central government functions to various lower levels, including various large regions, provinces, cities, and counties. However, practice proved that the mandatory economy naturally required a high degree of centralization in management. Decentralization under the mandatory economy system could only result in confusion in the national economy.

The 3d Plenary Session of the 12th CPC Central Committee decided to take the "planned commodity economy" as the target of the reform. But in essence, the commodity economy is a system under which commodity producers make their policy decisions in light of market information. The state performs its function of macroeconomic management mainly through managing and regulating the market. Thus, making the planned commodity economy the target of reform means a total negation of "administrative decentralization," which unavoidably sways between centralization and decentralization. However, this old idea still has some influence now. Especially under current conditions when the old system is still in a dominant position in economic life and especially in the economic life of the state-owned sector, the economy is still pushed forward mainly by administrative force. Under these circumstances administrative decentralization is hard to avoid even if local decentralization, which is a transitional measure for advancing toward economic decentralization, is practiced.

Administrative decentralization began to be implemented in 1980 when the reform of the financial system, which was characterized by "eating at separate stoves," was being carried out. According to this financial system, profits were turned over to the state based on various jurisdictional relations. For this reason, various localities were vying with one another for building more projects and forming independent systems. At the same time, they made use of their administrative power to encourage local protectionism, contend for rare resources, and obstruct the circulation of commodities. Then, in 1984, as a result of "streamlining administration and transferring power to the lower levels," a large number of state-owned enterprises were put under the jurisdiction of some "central cities." However, since conditions did not allow a good market environment and mandatory production, the distribution of materials, and investment plans had to assume most responsibilities in macroregulation, leading organs at the city level had to organize administrative companies to these enterprises. Thus, some smaller "regulation divisions" and "departmental divisions" were formed. To suit the financial system and administrative decentralization based on the jurisdictional relations of the enterprises, the method of dividing up the work and assigning a part to each "division" was also adopted in various areas, including investment, material supply, credit, foreign trade, and foreign exchange. At the same time, another kind of administrative decentralization -- the system of "the department assuming full responsibility for the work assigned to it" -- also developed, according to which the department assumed full responsibility for the tasks assigned to various regions in the areas of investment, material supply, foreign exchange, etc.

If this trend of administrative decentralization is not controlled and, on the contrary, is strengthened day by day, the principle of centralization and unity in the mandatory economy will be sabotaged and the mandatory economy, which is still in a dominant position now, will be thrown into confusion. [paragraph continues]

On the other hand, since the economy is continuously being cut into smaller and smaller pieces, the unified socialist market will naturally be dismembered. Obviously, this is against the target of establishing a planned commodity economy. Recently, the phenomena of market separatism and placing obstacles for others has become more and more serious. As a result, the efficiency in allocating resources has dropped and abnormal moderate increases have occurred in the whole country and the trend of shrinking of highly efficient large cities has appeared.

This does not mean that under the system of a planned commodity economy it is not necessary to use the initiative of local governments at various levels under the centralized and unified leadership of the central government. On the contrary, since the commodity economy is, in essence, an economy of decentralized policy decisions, local governments at various levels must play their positive roles in the management of the numerous commodity producers as well as the market and public affairs. They must: 1) Work out long-term and intermediate plans for social and economic development in accordance with the general requirements of the development of the national economy and in light of their local conditions; 2) concentrate their strength on the construction and management of various basic facilities and on the improving the environment; 3) guide and promote extensive coordination among specialized departments and enterprises, technological transformation, and the modernization in operations and management and effectively exploit local resources; 4) promote various undertakings and services including culture and education, public health, and social welfare; and 5) promote the building of spiritual civilization, create a good social environment, and improve public security.

Fifth Macroeconomic Policies Choices: To Adopt an Expansive Monetary Policy To Promote High-Speed Growth and Support Structural Reform or To Control the Money Supply and Ensure a Relatively Relaxed Environment for Reform, in Which Serious Inflation Will Not Occur [subhead]

China's Seventh 5-Year Plan clearly stipulates that "maintaining a basic balance between the general social demands and general supply, maintaining the respective balance of the state finance, credit, materials, and foreign exchange, and the overall balance between them" and "further creating a good social and economic environment for reform of the economic structure" are important principles and basic tasks for the period of Seventh 5-Year Plan. However, the problem of what kind of macroeconomic policy to adopt has still not yet been solved both in theory and in concrete policy.

After the growth rate of total industrial output value at the beginning of 1986 [as published] dropped from the record high of 24.8 percent in 1985 (April 1985) to 5.6 percent (January 1986) and 0.9 percent (February 1986), the controversy over the question of whether to adopt an expansive monetary policy or to continue to adopt the policy of strengthening and improving macrocontrol was evoked again. Some economists raised the question to the high plane of the "struggle" between "backward forces" and "reform," holding that adopting the policy of strengthening macrocontrol and restricting demands in 1985 was a "major mistake in policy decisionmaking" based on the "old idea" of "four balances."

Some other economists, proceeding from their analysis of the real economic situation, drew a conclusion that the measures adopted in 1985 gave rise to the trend of insufficient general demand in the national economy. Some of them held that the main problem was the "insufficient intermediate demand." Therefore, control over floating capital should be relaxed. But some others held that the main problem was the insufficient ultimate demand and the correct method to solve it was to increase investment or consumption. [paragraph continues]

At that time, since some products did not sell well and some enterprises were lacking funds, the theory and proposition of giving up retrenched monetary policy gradually got the upper hand. Under these objective conditions the control over industrial floating capital was relaxed in February and March 1986 to support industrial growth. However, the development of the national economy in the next three quarters of 1986 did not prove the correctness of the expansive monetary policy. First, adopting this monetary policy had not improved the situation of enterprises. This is because the fundamental reason for the stagnancy in the circulation of funds and the shortage of funds in enterprises was the exposure and sharpening of the conflicts in the economic structure resulting from unrealistically pursuing high speed and high consumption in 1984. These conflicts could not be solved by increasing the money supply. Increasing the supply of low interest-rate money rather than carry out industrial readjustments was harmful to improving the economic structure. Therefore, there were increasing debts among enterprises. According to a calculation of relevant department, although the bank used 1 billion yuan to help enterprises clear their outstanding debts, the total debts of the enterprises still increased from 16 billion yuan at the beginning of 1986 to 23 billion in June. Second, loosening credit conditions in order to "transfuse blood" into enterprises, which should have shifted production, ceased production, or even closed down, obstructed the increase in social economic returns and weakened the state's financial and economic basis. Finally, relaxing credit management meant an increase in the money supply in a broad sense (cash plus deposits). The swelling credit after March 1986 raised the year's money supply to a high level of and estimated 22 percent; and after 6 months to 1 year, the money thus supplied will become a new purchasing power. This is why beginning in September last year signs of inflation appeared and the amount of money put into circulation in September, October, November, and December increased sharply month after month. The money put into circulation in the 4 successive months was more than the peak period in 1984. If this trend is not changed in the near future this year's economic situation will become more complicated.

Sixth, the Choice on the Pace of Reform: Whether To Allow the Current Situation in Which the Two Systems Are Confronting Each Other and the New Economic Mechanism Is Difficult To Work Effectively Continue To Exist for a Long Time [subhead]

Since in the previous stage, we adopted the idea of giving enterprises more decisionmaking power and profits and the idea of unitary reform and mainly adopted the method of "reform aiming at increasing output" toward large and medium-sized state enterprises and major products, the achievements of the reform were mainly expressed by breaking the old system into many fragmented aspects of economic relations. However, judging from the overall situation, the old system is still in a dominant position. Moreover, since the development of the new economic system is quite uneven and, especially, since the commodity market, which is the most basic prerequisite for a planned commodity economy, has not yet been established, the new economic mechanism, that is, the regulatory market mechanism, can hardly play its role in an effective manner, not to mention in a dominant position. In view of this situation, there are two ideas for us to choose from. First, some people hold that the current situation does not hinder the effective movement of the new economic system. For example, the "double-track" price system is using its superiority and playing the "role of marginal regulator." Therefore, our task for a time to come is to further perfect this system rather than abolish it. Other people hold that the contradictions and clashes resulting from the confrontation of the two systems will make the movement of the national economy further deteriorate and the undulation of "expansion and contraction," which has existed for a long time under the traditional system, will become greater with shorter cycles. Moreover, there is the danger of going back to the old path at any time. Therefore, we must try our best to shorten the period of existence of this situation and perfect the new economic mechanism as soon as possible so that the planned commodity economy can gradually take its leading role in the national economy.

International experiences prove that in the initial stage of changing from the dual economy to the modern economy, developing countries generally do not have the basic conditions for steady and high-speed economic growth either in their production structure or in their economic system. Therefore, before entering the stage of high-speed growth there is usually a "run-up" period before the "starting point." At present our country is, generally speaking, in such a period. The main tasks of this period are: 1) To enhance the basis of material production for the national economy; and 2) to readjust economic relations and establish an effective economic mechanism. We will lose more than we gain if we force a "takeoff" in order to pursue temporary high speed when the basic conditions are still not ripe. On this issue we have had many bitter lessons since the founding of the state and they should not be repeated again.

ZHEJIANG'S NINGBO CITY WINS SPECIAL ZONE STATUS

OW111117 Beijing XINHUA in English 1100 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) -- Ningbo City in east China's Zhejiang Province is expected to have a second economic and technological development zone to cover a joint venture iron and steel complex now under negotiation.

The State Council has agreed that the zone in the Beilun District of the city should enjoy the status of an open economic zone to attract overseas investment and official approval will be given soon, today's "CHINA DAILY" quoted Zhu Ermei, vice-mayor of the city, as saying.

After the approval, Ningbo, regarded as the future major port in the Far East by Chinese and foreign experts, will be the first Chinese open coastal city to have two such zones, which provide preferential treatment in tax, loans and land usage.

The first 3.99-square kilometer zone, the Xiaogang Economic Zone is too small to house the Beilun Iron and Steel Complex, covering an area of 11 square kilometers.

The vice-mayor said that negotiations are under way between China and Western counterparts for setting up of the iron and steel works with Yuekong Pao, Hong Kong's shipping tycoon who comes from Ningbo, as the go-between. But he declined to name the foreign country concerned. However, technologies and equipment will be imported from more countries, unlike the Baoshan Iron and Steel Complex, which adopted technology and equipment only from Japan.

The initial investment of the giant complex will be 4 billion U.S. dollars and it will have a designed production capacity of 3.45 million tons of iron and steel a year, the same as the first phase construction of the nearby Baoshan Works in Shanghai.

The plant's iron ore will be shipped from Australia and Brazil. Transportation will be much cheaper than the Baoshan complex, thanks to the good facilities of this potential port. The construction cost in the zone will also lower, the vice-mayor said.

According to Zhu, the Ningbo City government has so far put in 100 million yuan (26.7 million U.S. dollars) to improve the investment climate and provide basic facilities, such as electricity and water supplies, telecommunications and factory workshops in the Xiaogang Development Zone.

CIRCULAR ON NATURAL DISASTER URGES COOPERATION

HK120624 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 9 Apr 87

[Text] The provincial people's government recently issued an urgent circular calling on all areas to promote the current work of helping the people tide over natural disasters.

The circular said: Overall, our province's current rural situation is good. However, some areas are showing signs of spring famine due to last year's serious natural disasters and relatively serious reduction in grain output, due to the drop in spring crop production caused by sustained drought from last winter to this spring, and also due to recent disastrous tornadoes and hailstones in some areas. For this reason, the circular of the provincial government demanded that governments at all levels conscientiously strengthen leadership over the work of helping the people tide over natural disasters, regard this work as an important item on their agenda, adopt effective measures to promote this work, make appropriate arrangements for the well-being of the masses, and ensure successful promotion of the spring plowing and production work. Relief funds, goods, and materials from the provincial authorities must be primarily handed out to those counties, towns, and townships suffering most serious famines due to crop failures. After conducting investigations and verifications, towns and townships should directly hand the relief funds, goods, and materials to families with material difficulties that are incapable of providing for and helping themselves. We must uphold the principle of spending allocation for authorized purposes only. Misappropriation and illicit transfer of allocations and taking more than one's share are forbidden. The practice of distributing and sharing out allocations equally and the practice of giving preferential treatment to one's relatives and friends in this regard are also forbidden. Violations of these regulations must be seriously handled.

The circular stressed: Regarding those who have ignored the weal and woe of the masses and whose faults in work have produced serious adverse effects on the work of helping the people tide over natural disasters, we must investigate and affix the leadership or the relevant department's responsibility for such consequences. All departments must actively support disaster areas and promote the work of helping tide over natural disasters. In particular, regarding those counties, towns, and townships that face greater famines due to crop failures and serious material difficulties, all relevant departments must actively assist them in clearing outlets for production, supply, and marketing, in launching the drive to provide for help oneself by engaging in production, and in increasing their abilities to fight natural disasters and tide over the lean year.

GUANGXI CPC SECRETARY ATTENDS REPORT MEETING

HK101335 Nanning Guangxi Regional Service in Mandarin 1030 GMT 8 Apr 87

[Excerpts] The southwestern China resources survey team of the Chinese Academy of Sciences recently held a report meeting in Nanning on the comprehensive survey in Guangxi of the exploitation of resources in southwestern China. Responsible persons of the regional party committee, the regional Advisory Commission the regional People's Congress Standing Committee, the regional people's government, and the regional CPPCC Committee, Chen Huiguang, Gan Ku, Duan Yuanzhong, Cheng Kejie, and Ou Jiwen, attended the report meeting.

They extended gratitude to the survey team for its hard work in Guangxi. [passage omitted]

At the report meeting, responsible persons and nearly 20 specialists, professors, and research fellows of more than 10 fields of study delivered investigation reports on the comprehensive survey in Guangxi; on tentative ideas on development strategies of resources exploitation in Guangxi in southwestern China;; and on energy, mineral resources, light and heavy industry, agriculture, forestry, urban areas, social circumstances, tourism, mountain disasters, [words indistinct], data base, and systematic analysis. These reports play an active role in the formulation of the region's economic development plans and the promotion of national economic development in the region.

HENAN LEADER STRESSES FAMILY PLANNING WORK

HK130957 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 12 Apr 87

[Text] On the evening of 11 April, the provincial party committee and the provincial government held a provincial telephone conference to further mobilize the whole province and make arrangements for the promotion of this spring's family planning work. First of all, (Jin Xianzuo), deputy commissioner of Xinyang Prefecture, and (Huang Yujun), secretary of the Tanghe County party committee, introduced their experiences in promoting family planning work. The common characteristics of their work are: The principal leading comrades have defined the guiding ideology regarding family planning work, made advance arrangements for the work, and personally participated in promotion of the work; they have persisted in concentrating leadership, forces, and time to promote family planning work as the immediate work at present; and they have established cadres' responsibility systems designed for each cadre responsible for a particular area of family planning work.

In his speech, Liu Yujie, vice governor of the provincial government, said: Our province's family planning work for this spring is hard and we are pressed for time. The vast numbers of cadres, especially principal leading comrades of party committees and governments at all levels, must seek unity of thought, deepen their understanding, and strengthen the work. At present, we must conscientiously resolve the following four issues:

First, we must establish the ideology of simultaneously promoting production and birth control. Out of a high degree of responsibility to the people's long-term interests, leading cadres at all levels must simultaneously promote the economy and birth control and bring about coordinated and balanced development of the economy and birth control.

Second, we must strengthen our consciousness of correctly implementing the party's family planning policy. Leading cadres at all levels, all party and CYL members, as well as all citizens must be models in implementing the family planning policy. Regarding those couples who have insisted on having only one child, we must energetically commend them by giving them awards and favored treatment. We must also seriously handle those who have run counter to the family planning policy.

Third, we must proceed from realities and give guidance to different types of areas. We must pay attention to promoting propaganda and education at work, be meticulous in organizational work, make rational arrangements, strive for practical results, and take the initiative.

Fourth, we must regard family planning work as a mammoth systematic social project and enable all departments to act in close coordination to jointly promote this work.

Lastly, Comrade Liu Yujie hoped that party committees and governments at all levels would further strengthen leadership over their family planning work, adopt effective measures to resolutely promote this spring's family planning work, and lay solid foundations for promoting the whole year's work.

HUBEI PARTY LEADER DISCUSSES PROPAGANDA WORK

HK110315 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 10 Apr 87

[Excerpts] The 6-day provincial propaganda work conference concluded in Wuchang on 8 April. The meeting stressed that education and the struggle for upholding the four cardinal principles and opposing bourgeois liberalization constitute a major affair for the whole party and an extremely complex and arduous task. The party committees and propaganda departments throughout the province must attach great importance to this work, strengthen leadership over it, and ensure its resolute, healthy, and sustained progress. [passage omitted]

Provincial party committee Secretary Guan Guangfu addressed the conference on the morning of 8 April. [passage omitted] He first stressed that it is essential to further enhance understanding of opposing bourgeois liberalization and bring people's thinking into line with the spirit of the central documents. He said: The struggle against bourgeois liberalization has now been in progress for more than 3 months. The party organizations throughout the province and the departments on the political and ideological front have seriously unfolded this struggle in line with the central arrangements. In the previous stage, the party organizations got a tight grasp of this struggle, and the development was healthy.

Of course, we must also soerly realize that the achievements of the education and struggle for upholding the four cardinal principles and opposing bourgeois liberalization in the previous stage were only initial, and must certainly not be overestimated. The struggle we are facing is a long-term and arduous one. The task is heavy and the road long.

Guan Guangfu stressed in his speech that it is currently necessary to get a good grasp of six items of work in the ideological and political field:

1. Continue to criticize, in depth, the erroneous viewpoints of bourgeois liberalization. We must improve the quality of critical articles and improve the appropriateness of the contents of propaganda and the variety of propaganda methods.
2. We must seriously conduct positive education in upholding the four cardinal principles.
3. Further straighten out, augment, and strengthen the media position. Through this straightening out, we should ensure a relatively big improvement in the quality of all newspapers and journals in the province.
4. Strengthen and improve political and ideological work on all fronts, especially the schools.

5. Vigorously step up the building of the contingent of Marxist theorists.
6. Further step up the building of socialist spiritual civilization.

Comrade Guan Guangfu stressed the necessity of vigorously stepping up the building of the propaganda contingent. He said: Since the 3d Plenary Session of the 11th CPC Central Committee, the propaganda cadres in Hubei have braced their spirits, worked hard, done a great deal of work and scored great achievements. [passage omitted] However, our work, in many respects, fails to meet the demands of construction and reform in the new period. He made the following demands:

1. Strengthen the ideological building of the propaganda contingent and strive to improve its ideological and political qualities. [passage omitted]
2. Improve the professional qualities of the propaganda contingent. [passage omitted]
3. Strengthen the organizational building of the propaganda contingent, continually put the propaganda organs on a sound basis, and assign propaganda cadres to them. [passage omitted]
4. The party committees at all levels must be concerned for and support propaganda work, actively eliminate worries and difficulties for the propaganda cadres, and help them to solve some practical problems as much as possible.

Guan Guangfu stressed in conclusion that it is essential to strengthen leadership to ensure that the struggle against bourgeois liberalization will proceed in a resolute, healthy, and sustained way. During the meeting Comrade (Wang Zhongnong), director of the provincial party committee Propaganda Department, conveyed the spirit of the national meeting of Propaganda Department directors and the national conference on external propaganda. [passage omitted]

HUNAN PARTY STUDIES NPC IDEAS ON LEGAL EDUCATION

HK110207 Changsha Hunan Provincial Service in Mandarin 2300 GMT 10 Apr 87

[Text] According to HUNAN RIBAO, on 4 April the provincial party committee organized its Standing Committee members in Changsha, together with secretaries of prefectural and city party committees, to seriously study the NPC Standing Committee decision on stepping up legal education and preserving stability and unity. During the study, (Shen Zhengren), deputy head of the provincial leadership group for popularizing legal knowledge, reported on the study, propaganda, and implementation of the decision throughout the province. Comrades of the provincial Judicial Department gave explanations on the decision. Dong Jiwen, member of the Standing Committee of the provincial party committee and secretary of the provincial political and Legal Commission, conveyed the spirit of the recent national forum on political and legal work. The provincial party committee Standing Committee held that the decision is important teaching material in conducting legal education centered on the Constitution.

It is an important legal and ideological weapon for upholding the four cardinal principles and opposing bourgeois liberalization. The party committees at all levels must, in accordance with the demands of the central and provincial party committees, seriously organize study, propaganda, and implementation of this decision.

BRIEFS

GUANGDONG INDUSTRIAL OUTPUT -- Guangdong's industrial output value in the first quarter was 14.77 billion yuan, a rise of 23.8 percent compared with the same period last year. There was a big rise in output of products with a ready market and in profit deliveries to the state. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 12 Apr 87 HK]

GUANGDONG FERTILIZER PRODUCTION -- The Guangdong provincial government has adopted the following new measures to support the development of small chemical fertilizer plants: To increase power supply; to provide and sell coal at state price [pai jia mei]; and to provide and sell electricity at a concessional rate. According to the provincial government's plan, the province's output of nitrogen and ammonia fertilizers this year will be increased to nearly 1.7 million tons. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 9 Apr 87 HK]

HUBEI AGRICULTURAL MACHINERY -- The peasants of Hubei Province have been vying with one another to purchase farm machines. The aggregate sales of farm machines in the province during the first quarter of this year reached more than 173 million yuan, an increase of 108 percent as compared with the same period last year. [Summary] [Wuhan Hubei Provincial Service in Mandarin 0900 GMT 13 Apr 87 HK]

HAINAN INDUSTRIAL PRODUCTION -- Hainan region's total industrial output value during the first quarter of this year reached more than 519.98 million yuan, an increase of 21.68 percent as compared with the same period last year. Of this, the region's light industrial output value during the first quarter reached 416.16 million yuan, an increase of 24.55 percent as compared with the same period last year, and its heavy industrial output value during the first quarter reached 103.82 million yuan, an increase of 11.41 percent as compared with the same period last year. During the first quarter of this year, the region's output of sugar, salt, Chinese medicines, synthetic detergents, machine-made paper, and household ceramics increased by over 10 percent; output of iron ore, pig iron, small tractors, sulphuric acid, phosphate fertilizer, and transformers increased by over 20 percent; output of raw coal dropped 35 percent; total electric energy production dropped 0.3 percent; and hydroelectric energy production dropped 9.92 percent as compared with the same period last year. [Summary] [Haikou Hainan Island Service in Mandarin 1000 GMT 13 Apr 87 HK]

LIOWANG OUTLINES CHONGQING'S CADRE SELECTION

HK131134 Beijing LIAOWANG in Chinese No 13, 30 Mar 87 p 21

[Article by Yuan Guanghou (5913 0342 0624): "An Attempt at Reforming the System of Cadre Selection -- How Chongqing City Selects for Appointments in Suburban Districts and Counties"]

[Text] In order to further strengthen the building of Chongqing's outlying district and county bodies, the city's CPC Committee has selected a certain number of cadres in their thirties from the city government organizations and appointed them to assume leadership posts in districts and counties in the city's suburbs. These cadres' names were put forward either by themselves or by the masses and organizations and were assessed for their proficiency. They pass through several sifting procedures. Such a method of selecting and promoting cadres is widely praised by the local people. Many comrades believe this is a very meaningful attempt to reform the cadre system.

On 5 December last year the Chongqing City party committee held a meeting of cadres at or above the bureau level of the city government organizations. At the meeting, Yu Hanqing, deputy secretary of the city party committee, delivered a mobilization speech calling on young and middle-aged cadres to offer their services in the districts and counties on the outskirts of the city. This was also reported in all the papers. In addition, the city party committee made clear the objective, conditions, methods and measures required for selecting cadres to those posts.

When all levels were mobilized, the activities of recommending oneself and of recommendation by the masses and organizations were unfolded. In less than a month, 75 cadres' names had been entered (of whom 50 put forward their own names). In order to select well-qualified cadres to those posts, the cadres who had entered their names passed through five stringent sifting procedures.

First, the city party committee Organization Department made a preliminary investigation of these cadres in accordance with the requirements set for them. The requirements are: They should be under 45 years of age, be in good health and energetic; they should have received education at or above the college level (or equivalent record of formal schooling), and those who have real ability and learning should also have received education at or above the middle-school level; they should have basic theoretical knowledge of building the party ideologically and organizationally and knowledge of the law and have an intimate knowledge of the theory of the commodity economy and of the principles and policies for economic construction and cultural undertakings in the urban and rural areas; they should have leadership ability to make policy decisions to a certain degree; they should have at least 7 years of work experience with at least 3 years of experience in party affairs, administrative work, judicial work, or mass work in city-level organizations; and they should be qualified for work as secretary or deputy secretary of party committees at the district or county level, with at least 3 years of party standing. After the initial investigation, the survey team dispatched by the city party committee Organization Department found that some cadres who had been recommended by the masses and organizations were unwilling to go, and some who had recommended themselves for the job did not have the expected ability and political integrity. Finally, 20 cadres were eliminated in the very first round.

Second, 55 cadres who had been selected in the first round took a written examination and those who passed the examination were subjected to a thorough, all-round examination. As a result, 21 cadres proved to be up to standard. [paragraph continues]

Then, the survey team of the city party committee Organization Department again checked their records and held discussions at the units they worked at in a bid to acquire a clear understanding of their historical background and present performance on the one hand. They took a poll of the opinions of their leaders and colleagues to discover their understanding of the party's policies, ideological level, moral character, leadership and organizational abilities (or work ability), and work performance on the other hand. Their appraisal was made by secret balloting.

Third, the selected cadres were sifted again in practice. On the eve of the Spring Festival, those who had passed the written examination were divided into two groups to go to Baxian and Dazu Counties on the outskirts of Chongqing City, where they spent 20 days working on mock plans in the kinds of posts they had personally chosen. In such a way, their ability to integrate theory with practice and macroeconomic views with microeconomic views was further examined and their determination to work in districts and counties was further tested. In this round, of their own accord, 2 cadres out of 21 withdrew their applications.

The city party committee Organization Department arranged a preliminary, public test for the 19 cadres left -- answering queries about the mock plans they had drawn up in the posts they personally chose. They were first asked to explain their mock plans in public and then answer queries put to them. In this way, both their mock plans and their ability to express views were assessed. Finally, only 11 cadres were qualified for final assessment.

On 23 February the city party committee held an enlarged meeting to further assess the 11 cadres. Attending the meeting were principal persons in charge of the city party committee Standing Committee, the People's Congress, government, CPPCC, city Advisory Commission, the departments concerned and Dazu and Baxian Counties. After examining the resume of the 11 cadres prepared by organization departments and listening to their mock plans, those who attended the assessment meeting discussed and commended their understanding of the party's policies, their spirit of exploring new things, their ability to express views and their mock plans in line with unified standards.

Through the aforementioned five procedures of assessment, the city party committee Standing Committee made a final decision on the 11 cadres selected.

The method of selecting cadres to leading posts at the district and county levels has the advantage of being a method of recruiting leaders in public which is adopted on a trial basis in some places, it also has the following new meaning:

First, many young and middle-aged cadres are reluctant to leave relatively good work and living conditions in the urban areas. In the past, organization departments often found it difficult to select qualified cadres and assign them work in districts and counties, and particularly in remote districts and counties. However, the new method points out openly and clearly that those who are selected will work in districts and counties, their residence registry and grain and oil rations will be transferred and their future tenure of office is not fixed. Under such circumstances, those who put their own names forward or are recommended by the masses or organizations are encouraged to compete with each in public. This had opened up a new way to recruit capable people who have ideals, get right on with the job, and are resolved to go to where conditions are hard to display their talent and to temper their will in the grass-roots units. [paragraph continues]

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The 75 cadres who put themselves forward or were recommended by the masses and organizations have never previously been "noticed" by the city party committee Organization Department and they are actually fairly capable people. Of the 11 cadres who have been finally selected, 9 are persons who put themselves forward for the job. They have great aspirations and are determined to work for socialism in the grass-roots units. These talented people would not have been found if the former method of selecting cadres by the closed door method had been adopted.

Second, this method of sifting cadres through several public assessment procedures not only avoids one-sided practice which is apt to occur in the course of selecting cadres and check unhealthy tendencies but can also provide good experiences for selecting cadres in a democratic and scientific way.

CHENGDU PLA LEADERS FIGHT LIBERALIZATION

HK120257 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 11 Apr 87

[Text] From 20 March to 11 April, the Chengdu Military Region held a book-reading course on upholding the four cardinal principles and opposing bourgeois liberalization for cadres at and above divisional level. Commander Fu Quanyou and Political Department Director Shao Nong spoke at the conclusion of the course.

Fu Quanyou called on everyone to continue to get a good grasp of theoretical studies. They should in particular do well in studying Comrade Deng Xiaoping's two books "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Build Socialism With Chinese Characteristics," and grasp their basic ideas. They should correctly and fully understand and implement the party line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee. It is necessary to seriously study the passages in these two books concerning the building of the Armed Forces. Study of these two books should be integrated with implementing the spirit of the enlarged meeting of the Central Military Commission.

We should further step up political work and the building of spiritual civilization in the Armed Forces. We must fully understand the long-term nature of the struggle against bourgeois liberalization and the importance of carrying out deep-going and sustained positive education in the Armed Forces. The party committees must take effective steps to maintain positive education in the units as a regular affair.

BEIJING DRAWS UP DISCIPLINE INSPECTION WORK PLAN

SK130757 Beijing BEIJING RIBAO in Chinese 29 Mar 87 p 1

[Excerpts] The municipal discipline inspection work conference concluded on 28 March and stressed that efforts should be made to regard the work of strictly enforcing the party's political discipline as a major task of 1987.

During the conference, Jin Jian, deputy secretary of the municipal party committee, was on hand and delivered a speech. Meng Zhiyuan, Standing Committee member of the municipal party committee and secretary of the municipal Discipline Inspection Commission, delivered a work report. The conference relayed the spirit of the national discipline inspection work conference, summed up the experience gained by the municipality in its discipline inspection work in 1986, and made arrangements for the 1987 work.

The conference stressed that upholding the four cardinal principles and opposing bourgeois liberalism are important contents of the party's political discipline. In the struggle against bourgeois liberalism, the discipline inspection commissions at all levels should pay great attention to knowing well the policy boundaries. In view of the broad masses of party members, they should consistently uphold the principle of taking the education on positive deeds as a main task and of uniting with the majority of the people. A few comrades who have systematic erroneous viewpoints should be criticized at the inner party meetings on organizational life with the approval of the department concerned under the municipal party committee. Behaviors that comply in public but oppose in private, offer ways and means or make things convenient for the illegal organizations, and that openly or secretly offer contributions to foreign reactionary newspapers or periodicals should be regarded as running counter to the party's political discipline. As to the handful of persons on whom we must impose disciplinary sanction, the discipline inspection commissions at all levels should carry out the task in a serious manner and deal with them in line with the organizational procedure and by accepting the approval of their higher authorities.

Enhancing the task of conducting inner party supervision represents a matter to be undertaken by the entire party. The discipline inspection commissions at all levels, as full-time organs in charge of carrying out inner party supervision, should assume important responsibilities in this regard. As to the issue of how to effectively carry out inner party supervision, the participants at the conference contended that efforts should be first made to strictly enforce the following three systems: Efforts should be made to uphold the party's system of collective leadership. [passage omitted] Efforts should be made to enhance the party's system of organizational supervision. [passage omitted] Efforts should be made to strictly convene the meetings on the party's organizational life. [passage omitted] The conference contended that attending to letters and visits from the masses and collecting information of discipline inspection work also represent an important channel of enforcing inner party supervision, which should be further strengthened.

Consolidating and developing the excellent situation in which "the entire party is improving party style" and continuously correcting malpractices also represent an important task for conducting the discipline inspection work this year. [passage omitted]

The conference also made arrangements, one by one, to enable the discipline inspection organs to become important forces in the promotion of reform, the unswerving conduct of education on party spirit and style and party discipline among members, and the enhancement and self-improvement of discipline inspection personnel.

Attending the conference were members of the Discipline Inspection Commission under the municipal party committee; and responsible comrades from the discipline inspection commissions under the higher education institutions and under the municipal-level plants, mines, enterprises, establishments, and units, and from the discipline inspection groups in the departments and commissions under the municipal party committee -- more than 370 persons in all.

BEIJING CPPCC STANDING COMMITTEE WORK REPORT

SK140350 Beijing BEIJING RIBAO in Chinese 21 Mar 87 p 3

["Excerpts" of a report on the work of the Beijing Municipal CPPCC Standing Committee given by Xia Xiang, vice chairman of the Beijing Municipal CPPCC Standing Committee, at the Fifth Session of the Sixth Beijing Municipal CPPCC Committee on 6 March]

[Excerpts] During the past year, under the leadership of the Beijing municipal party committee, we have conscientiously implemented the resolution of the fourth session of the sixth municipal CPPCC Committee, actively organized activities, performed our work, and paid attention to strengthening self-cultivation. At the same time, we further strive to seek guidance from the National CPPCC Committee, strengthen cooperation and coordination with the district and county CPPCC committees and various democratic parties and with the relevant mass organizations, and succeed in making new progress in all fields of work.

1. We have actively participated in discussing the major policies of the party and the state and some major issues of local affairs in the capital, and gradually regularized and institutionalized political consultative and democratic supervisory activities. Our municipal CPPCC Committee guided the committee members to participate in consultative meetings of party and nonparty people which were sponsored by the municipal party committee, and held forums once every 2 months to study the relevant documents and heard briefings on the implementation of the municipal Seventh 5-Year Plan, reform and the "measures adopted by the municipal party committee and government on strengthening the building of socialist spiritual civilization during the Seventh 5-Year Plan period," and on student unrest. [passage omitted] Last October, while deeply studying the resolution of the 6th Plenary Session of the 12th CPC Central Committee, the 39th Standing Committee meeting of the municipal CPPCC Committee conducted enthusiastic discussions on some measures stipulated by the municipal party committee and government, and offered many constructive suggestions on how to do a good job in conducting political and ideological work among youths, and on how to intensify education in patriotism, revolutionary traditions, and ideals. In October, more than 270 committee members participated in observation activities at the grass-roots levels, and held group discussions on developing township enterprises and joint enterprises, on developing educational undertakings and popularizing the 9-year compulsory education program, and on other issues concerning transport and the quality of capital construction projects. The members offered many pertinent opinions and gave serious criticism, which fully manifested their enthusiasm in participating in and discussing state affairs. Since the fourth session of sixth municipal CPPCC Committee, we have received 760 motions raised by 447 committee members. [paragraph continues]

The number of persons who raised motions and the total number of motions showed a marked increase over the previous year.

2. We strengthened vertical and lateral cooperation, better displayed the superiority of the CPPCC of "having all kinds of trained personnel," and offered plans and efforts in the capital's reform and formulation of strategy for development. From June 1986 to January of this year, the municipal CPPCC Committee and the United Front Work Department of the municipal party committee jointly held two meetings to discuss the capital's development strategy, which were attended by united front work departments throughout the Beijing Municipality, and received a total of 103 theses, and written opinions and suggestions. [passage omitted] In the past few months, some work groups of the municipal CPPCC Committee conducted investigations and study on some special topics focusing on reforms, including reform of the vegetable production and marketing system, the leasing operational system among commercial and service trades, and on the work on revitalizing industrial enterprises. Some CPPCC Committee members in the medical, health, educational, scientific and technological sectors also provided consulting services to some remote and suburban counties.

3. We have proceeded from the reality of the municipality and have striven to promote the building of socialist spiritual civilization in the capital. During last year we attached prime importance to building socialist spiritual civilization which promoting the building of material civilization in the capital. [passage omitted]

4. We expanded contacts with Overseas Chinese in an effort to promote the peaceful reunification of the motherland. In line with the central principles of "broadening the field of vision, making friends with people from various sectors, formulating long-term plans, and treating the people sincerely," we held forums and gatherings and took advantage of Chinese traditional and popular festive celebrations to extensively make friends with all the people so as to expand unity and publicized and principles and policies on peaceful reunification of the motherland among "compatriots from Hong Kong and Macao and Taiwan and Overseas Chinese compatriots," and their families members and relatives. Last year we received more than 160 letters and visits from Taiwan compatriots and their families, helped governments solve 22 leftover problems concerning the implementation of policies, helped 19 committee members to go through exit procedures during their visits to relatives, and solved some specific problems of the committee members during their foreign visits. [passage omitted]

5. We completed the construction of Mr Sun Yat-sen's bronze statue and held a grand unveiling ceremony. [passage omitted]

During this year, our major tasks should be listed as follows:

1. We should better display our political consultative and democratic supervisory functions in an effort to comprehensively and correctly implement the line, principles, and policies defined since the 3d Plenary Session of the 11th CPC Central Committee. On the premise of upholding the four cardinal principles, we should continue to invigorate the democratic and united atmosphere, further expand the patriotic united front, and better implement the principle of conducting reform in all fields, opening to the outside world and invigorating the domestic economy and the policy of respecting knowledge and trained personnel. We should understand and observe the law, further conduct education on democracy and the legal system, and promote the building of democracy and the legal system. [passage omitted]

2. We should develop most extensively the patriotic united front, and make continued efforts to realize the peaceful reunification of the motherland. [paragraph continues]

We should implement the guidelines of the national United Front Work Conference, base ourselves on Mainland China's actual conditions, and keep Taiwan, Hong Kong, Macao, and foreign countries in view. [passage omitted]

3. We should strengthen unity and cooperation, and contribute to ensuring smooth progress in reform and in building socialism with Chinese characteristics in the capital. The municipal CPPCC Committee should further strengthen cooperation with the National CPPCC Committee and cement ties with the various democratic parties, mass organizations, and the district and county CPPCC committees, better display their role of having all kinds of trained personnel, and make more contributions to guaranteeing smooth progress in reforms and formulation of strategic policies for developing the capital. We will organize special investigations and study with a focus on intensifying the vitality of large and medium-sized enterprises and on urban administration and management, as well as environmental protection. [passage omitted]

4. We should further strengthen the self-cultivation of the municipal CPPCC organs and foster new concepts and work style among the personnel of organs that are compatible with the new situation of reform, opening to the outside world, and the practice of "one country, two systems."

Reviewing the past and looking forward into the future, we are full of confidence in the prospects of the municipal CPPCC committee in 1977, 10 years have passed. This year let us rally more closely around the CPC Central Committee, better implement the principle of long-term coexistence and mutual supervision and the principle of treating each other with all sincerity and sharing weal and woe under the leadership of the Beijing municipal party committee, keep unity and national development in mind, further display our initiative and creativity in our work, work diligently and realistically, and score new and even greater success in attaining the grand goal of reunifying the motherland and revitalizing China and in fulfilling the glorious cause of building the capital.

NEI MONGGOL SECRETARY PLANTS TREES IN HOHHOT

SK110650 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 10 Apr 87

[Text] Together with more than 400 cadres of the regional and Hohhot City organs, some regional party, government, Army, and CPPCC leading comrades, including Zhang Shuguang, Bu He, Qian Fenyong, Wen Jing, Seyinbayaier, Shi Shengrong, and Chen Bingyu, participated in the voluntary tree planting campaign along the road on the eastern side of the (Gongdehu) overpass in Hohhot on the morning of 10 April.

Despite the low temperature this morning, leading comrades and official cadres zealously participated in the tree planting campaign. Comrade Qian Fenyong planted a 3-meter-high [words indistinct] tree. Comrade Zhang Shuguang and Bu He conscientiously leveled the soil with shovels. More than 400 trees were planted in a short time.

PREMIER MEETS EL SALVADOR'S FOREIGN MINISTER

OW111319 Taipei CNA in English 1025 GMT 11 Apr 87

[Text] Taipei, April 11 (CNA) -- Premier Yu Kuo-hua received Foreign Minister of the Republic of El Salvador Dr. Ricardo Acevedo Peralta and his wife at the Executive Yuan Saturday.

During the meeting, Yu extended a warm welcome to the couple. Yu said the Republic of China [ROC] and El Salvador have shared a long-standing friendship and expressed hope bilateral relations will be strengthened through a mutual exchange of visits.

Dr. Acevedo said the ROC's progress in a wide range of fields has been acknowledged worldwide. He was deeply impressed with the stability and industrial prosperity of the ROC.

Dr. Acevedo was accompanied by Vice Foreign Minister Charles Shu-chi King, Salvadoran Ambassador Francisco Ricardo Santana Berries, and Protocol Chief Hoang Sieou-ji. [name as received] Dr. Acevedo and his wife arrived here April 8 and will leave April 16.

TAIWAN DECORATES COSTA RICAN SECURITY MINISTER

[Text] Taipei, April 14 (CNA) -- On behalf of the Government of the Republic of China [ROC], Defense Minister Wang Tao-yuan Monday presented the Medal of Cloud and Banner with Grand Cordon to Hernan Garron Salazar, minister of public security of the Republic of Costa Rica, in recognition of his contributions to the promotion of friendly relations between the two countries.

The decoration took place at the Ministry of National Defense Monday morning when the Costa Rican minister called on Minister Wang.

During the meeting, Wang pointed out that relations between the two nations have been very cordial, hoping that cooperative relations will be strengthened further.

Garron said that the people of his country are fed up with communism. They admire the Republic of China's staunch anticommunist stand and greatly appreciate the assistance the ROC has extended to Costa Rica in the development of its agriculture and light industry.

Meanwhile, General Hau Fei-tsun, chief of the general staff of the ROC Armed Forces, met with the Costa Rican minister at his office Monday morning. During their talks, General Hau said he hopes the two nations will strengthen cooperation and joint efforts in safeguarding world peace and fighting against communism.

Garron said that the ROC's political progress, economic prosperity and determination to fight against communism are admirable. He expressed the hope that Costa Rica will learn more from the ROC's experiences in promoting its national development and in fighting against the threat of communist expansion.

MACAOLI XIANNIAN MEETS PUBLIC FIGURES FROM MACAO

OW131404 Beijing XINHUA in English 1344 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- President Li Xiannian met here this afternoon with a group of public figures from Macao who are here for the signing ceremony of Sino-Portuguese Joint Declaration on the Macao Question.

After the meeting the guests were honored at a dinner hosted by Ji Fengfei, state councillor and director of the Hong Kong and Macao Affairs Office under the State Council.

In his toast, Ji expressed the hope that compatriots in Macao, who have a tradition of patriotism, and Portuguese descendants who have been on good terms with the Chinese people would continue to contribute to the stability and development of Macao.

PORTUGAL'S SILVA HOLDS BEIJING PRESS CONFERENCE

OW141223 Beijing XINHUA in English 1209 GMT 14 Apr 87

[Text] Beijing, April 14 (XINHUA) -- Visiting Portuguese Prime Minister Anibal Cavaco Silva said here today that the "one country, two systems" concept worked out by the Chinese Government, is feasible in Macao.

Speaking at a press conference this afternoon, Silva said both Portugal and China maintain that their joint declaration on the Macao question is of historical significance.

Both sides have pledged to earnestly implement the declaration so as to guarantee Macao's prosperity and stability and ensure a smooth transition period, he added.

Silva said the signing of the joint declaration not only has solved the Macao question left over from the past but also has furthered the friendly bonds between Portugal and China and between their peoples.

Portugal's position on the Macao question will not change because of the change in the country's political situation, he said, adding that is because this position has won support from the majority of the members of the assembly.

At the same time, he said, there is no reason for the Portuguese Government to doubt the commitment made by the Chinese side to implement the agreement earnestly.

He said the Portuguese Government will, together with the Chinese Government, try its best to maintain stability and develop prosperity in Macao and increase the confidence of the local inhabitants.

ROUNDUP SAYS MACAO CONCEPT 'SUITED' TO TAIWAN

HK131429 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0904 GMT 11 Apr 87

[Roundup by reporter Wei Xiang (0251 5046): "'One Country, Two Systems' as Viewed From the Sino-Portuguese Joint Statement"]

[Text] Beijing, 11 Apr (ZHONGGUO XINWEN SHE) -- The Portuguese Prime Minister, Anibal Cavaco Silva, will arrive in Beijing today. Two days later, the Chinese Prime Minister, Zhao Ziyang, and Silva will officially sign the agreement on the issue of Macao on behalf of the two countries. Thus China will complete the brilliant second movement of the "trilogy" of its reunification.

In the less than 2 and 1/2 years since the signing of the "Sino-British Joint Declaration on the Future of Hong Kong," China and Portugal have succeeded in arriving at an agreement with each other and initially signing the joint declaration on the issue of Macao in only 9 months and through four rounds of talks. This demonstrates that the concept of "one country, two systems" envisaged by Deng Xiaoping has great vitality.

When coming to Beijing to sign the "Sino-British Joint Declaration" on the future of Hong Kong at the end of 1984, Mrs Margaret Thatcher praised the policy of "one country, two systems" as a gifted creation and a conception of rich imagination. The successful settlement of the Macao issue has once again proved that the "conception of rich imagination" is exactly suited to the actual conditions in China.

The proclamation of the initialed text of the Sino-Portuguese joint declaration on the Macao issue evoked strong repercussions in press circles at home and abroad. AFP quoted Western observers as saying that the successful settlement of the Macao issue was another diplomatic victory for the Chinese Communists.

Ma Man Kei, president of the Macao Chamber of Commerce, said: Settlement of the Macao issue is another example set by China for the peaceful settlement of disputes left over from the past between different countries following the settlement of the Hong Kong issue.

Fei Yiming, deputy head of the Hong Kong Basic Law Drafting Committee, believes that as in Hong Kong, the stability and development of Macao will be maintained.

Democratic parties on the China mainland have also spoken highly of the successful settlement of the Macao issue. Lin Shengzhong, vice chairman of the Taiwan Democratic Self-Government League, pointed out that the concept of "one country, two systems" is also suited to the great cause of returning Taiwan to the motherland.

Two and a half years ago, it was in the depth of winter when Mrs Margaret Thatcher came to Beijing to sign the "Sino-British Joint Declaration on the Future of Hong Kong". Now Anibal Cavaco Silva comes to China just when Beijing is full of the beauty of spring. If the "Sino-British Joint Declaration on the Future of Hong Kong" is described as a flower heralding the spring of the "great cause of China's reunification," then the Sino-Portuguese joint declaration on the Macao issue can undoubtedly be described as a very beautiful flower blooming this spring.

The joint declaration on the Macao issue that China and Portugal are about to sign officially will declare that China will resume the exercise of its sovereignty over Macao and will wash off the national humiliation brought upon the Chinese people by an unequal treaty more than 100 years ago. Through peaceful negotiations, China and Portugal have finally solved the historical, knotty problem that has existed between the two countries for 430 years. The people of our country are all happy to see it.

The old era of Macao has come to an end and a new one will start soon. The State Council's Hong Kong and Macao Affairs Office has invited scores of outstanding figures from all circles in Macao to the signing of the Sino-Portuguese joint declaration on the Macao issue. This will be an unprecedentedly grand occasion.

It is believed that the successful "political skill" of "one country, two systems" is certainly a gold key for the accomplishment of the great cause of national reunification. Just as overseas public opinion has pointed out: "It seems that such a sincere wish for peace and political skill are suited not only to the return of Hong Kong and Macao but also to the return of Taiwan."

JI PENGFEI INTERVIEWED BY LIAOWANG ABOUT MACAO

OW121359 Beijing XINHUA Domestic Service in Chinese 0718 GMT 12 Apr 87

[Text] Beijing, 12 Apr (XINHUA) -- The weekly LIAOWANG to be published tomorrow [13 April] carries an interview with a reporter of the weekly by Ji Pengfei, state councillor and director of the Hong Kong and Macao Affairs Office of the State Council, conducted on the eve of the official signing of the Sino-Portuguese Joint Declaration on the Question of Macao.

In the interview, entitled "Looking Forward to Macao's Good Future With Full Confidence," Ji Pengfei first talked about what should be done in the coming 12-year transitional period in order to ensure that political power can be smoothly handed over in 1999. He said: Work in two major areas is to be done in the transitional period: First, work to maintain Macao's social stability and give impetus to its economic development; and second, work to create appropriate conditions to enable the Macao people themselves to govern Macao. The key to accomplishing work in these two areas is for China and Portugal to ensure that the "joint declaration" is fully carried out in a friendly and cooperative spirit. We have full confidence in this respect.

The Sino-Portuguese Joint Liaison Group mentioned in the "joint declaration" is particularly aimed at achieving this purpose. Its responsibility is to hold consultations on implementation of the "joint declaration," to discuss all matters connected with the handover of political power, and to exchange information and hold consultations on matters that both sides have agreed on.

Ji Pengfei said: During the transitional period, the Chinese National People's Congress will establish basic laws for the Macao Special Administrative Region. The basic laws will reflect the principle of "one country, two systems" and the stipulations in the Sino-Portuguese joint declaration. We must maintain our state sovereignty and pursue national unification, and, at the same time, stipulate in the form of law our special policies regarding Macao, such as allowing Macao to maintain its present social and economic systems and way of life for 50 years, allowing the Macao Special Administrative Region to enjoy a high degree of autonomy, and allowing the Macao people to govern themselves. I believe that, with the full cooperation of the people of all sectors and social strata in Macao, we will be able to establish a set of basic laws that will satisfy all people in China, including the Macao compatriots.

When told that some people still worry that the "one country, two systems" policy may change, Ji Pengfei said: The "one country, two systems" policy is China's basic national policy to achieve the motherland's unification. Chairman Deng Xiaoping and Premier Zhao Ziyang have repeatedly explained this. The settlement of the Hong Kong and Macao issues is turning the concept of "one country, two systems" into reality. Currently the Sino-British Joint Declaration on the Question of Hong Kong is being carried out smoothly, and I am sure that the Sino-Portuguese joint declaration and China's various principles and policies toward Macao will also be carried out smoothly. These people's worry is unwarranted, and facts will prove that their worry is unnecessary.

Ji Pengfei also talked about the prospects of friendly relations between China and Portugal. He said: Sino-Portuguese relations have been very good since the two countries established diplomatic relations in 1979, and the successful settlement of the Macao issue left over from history has added a new chapter to these friendly relations between the two countries. Predictably, as long as the two sides continue to cooperate sincerely, friendly relations between the two countries will have broad prospects in the next 12 years as well as in the years after China resumes exercise of sovereignty over Macao.

Ji Pengfei said: After the "joint declaration" was initialed, the Macao compatriots, while elated by the occasion, have pledged to contribute to the smooth handover of political power in 1999. This indicates that the people of all sectors and strata in Macao fully realize the heavy task facing them in the 12-year transitional period. I heartily hope that the Macao compatriots will unite together to maintain Macao's social stability, work to make the local economy prosper, and take steps to educate various expert personnel in order to create the necessary conditions for governing Macao well after 20 December 1999. With the effective support of a strong motherland and the common effort of the Macao compatriots, we have every reason to look forward with full confidence to Macao's boundlessly good future.

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